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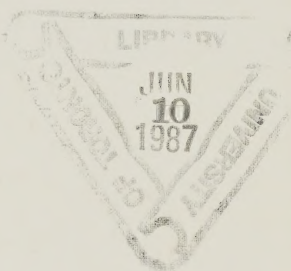
Government  
of Canada

Gouvernement  
du Canada

Receiver General for Canada  
Hon. Monique Vézina

# Public accounts of Canada

1986



## Volume I

Summary Report and  
Financial Statements



Canada







Government  
of Canada

Gouvernement  
du Canada

**Receiver General for Canada**  
Hon. Monique Vézina

# public accounts of canada

1986

## Volume I

### Summary Report and Financial Statements

Canada

Gouvernement  
du Canada

Government  
of Canada



Ministre  
du Approvisionnement  
et des Services  
Canada

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*To Her Excellency*

The Right Honourable Jeanne Sauvé,  
P.C., C.C., C.M.M., C.D.,  
*Governor General and  
Commander-in-Chief of Canada.*

MAY IT PLEASE YOUR EXCELLENCY:

The undersigned has the honour to present to Your Excellency the Public Accounts of Canada for the year ended March 31, 1986.

All of which is respectfully submitted.

Robert de Cotret,  
*President of the Treasury Board.*

OTTAWA, OCTOBER 20, 1986

*To The Honourable Robert de Cotret,  
President of the Treasury Board.*

In accordance with the provisions of Section 55(1) of the Financial Administration Act, I have the honour to transmit herewith the Public Accounts of Canada for the year ended March 31, 1986, to be laid by you before the House of Commons.

Respectfully submitted,

Monique Vézina,  
*Receiver General for Canada.*

OTTAWA, OCTOBER 20, 1986

*To The Honourable Monique Vézina,  
Receiver General for Canada.*

Madam:

I have the honour to submit the Public Accounts of Canada for the year ended March 31, 1986.

Under Section 55(1) of the Financial Administration Act, the Public Accounts for each fiscal year shall be prepared by the Receiver General and shall be laid before the House of Commons by the President of the Treasury Board on or before the thirty-first day of December next following the end of that year, or if the House of Commons is not then sitting, within the first fifteen days next thereafter that the House of Commons is sitting.

This annual report is presented in three volumes:

Volume I—A survey of the transactions for the year including summary statements; the financial statements of Canada on which the Auditor General has expressed an opinion, namely, the statements of transactions, of revenue and expenditure on a gross and net basis, of the accumulated deficit, of the assets and liabilities of Canada and of the source and disposition of authorities, together with related notes; the observations by the Auditor General on the financial statements of Canada; analyses of outlays and appropriations; analyses of budgetary revenue and expenditure, and of asset and liability accounts; and various other statements.

Volume II—Details of the financial operations of the Government, segregated by ministry (Part I); and additional information and analyses (Part II).

Volume III—Contains an annual consolidated report on the businesses and activities of all parent Crown corporations together with a listing of all Crown corporations and other corporate interests of Canada.

The audited financial statements, contained in Volume I, are for the year ended March 31, 1986. They are, however, dated September 15, to allow for the closing and audit of accounts.

Respectfully submitted,

Georgina Wyman,  
*Deputy Receiver General for Canada.*

OTTAWA, OCTOBER 20, 1986



# VOLUME 1

## TABLE OF CONTENTS

### SECTION

- Introduction
- 1. Comparative Statements of Transactions
- 2. Audited Financial Statements of the Government of Canada
- 3. Observations by the Auditor General on the Financial Statements of the Government of Canada
- 4. Envelopes and Outlays, Estimates and Appropriations
- 5. Budgetary Revenue
- 6. Budgetary Expenditure
- 7. Consolidated Specified Purpose Accounts
- 8. Loans, Investments and Advances
- 9. Specified Purpose Accounts
- 10. Other Liabilities
- 11. Foreign Exchange Accounts
- 12. Unmatured Debt
- 13. Other Information Related to the Financial Statements
- 14. Index



# INTRODUCTION TO THE PUBLIC ACCOUNTS

## Nature of the Public Accounts

The Public Accounts is the report of the Government of Canada prepared each fiscal year by the Receiver General as required by Section 55 of the Financial Administration Act.

The report covers the fiscal year of the Government, which ends on March 31, and is prepared from data contained in the accounts of Canada and from more detailed records maintained in departments and agencies. The accounts of Canada is the centralized record of the Government's financial transactions maintained by the Receiver General in which the transactions of all departments and agencies are summarized. Each department and agency is responsible for agreeing its accounts to the control accounts of the Receiver General, and maintains detailed records of the transactions in those accounts.

The report covers the financial transactions of the Government during the year. In certain cases, parliamentary authority to undertake transactions was provided by legislation approved in earlier years.

## Format of the Public Accounts

The Public Accounts is produced in three volumes.

**Volume I** presents a summary and analysis of the financial transactions of the Government. Its content is summarized as follows:

**SECTION 1:** summary statements of the financial transactions of the Government of Canada on both a Public Accounts and an Extended National Accounts basis;

**SECTION 2:** audited financial statements of the Government of Canada, prepared in accordance with Section 55 of the Financial Administration Act;

**SECTION 3:** observations by the Auditor General on the financial statements;

**SECTION 4:** review of envelopes and outlays, and Estimates and appropriations;

**SECTION 5:** review of budgetary revenue;

**SECTION 6:** review of budgetary expenditure;

**SECTION 7:** analysis of consolidated specified purpose accounts;

**SECTION 8:** analysis of loans, investments and advances;

**SECTION 9:** analysis of specified purpose accounts;

**SECTION 10:** analysis of other liabilities;

**SECTION 11:** analysis of foreign exchange accounts;

**SECTION 12:** analysis of unmatured debt; and,

**SECTION 13:** analysis of other information related to the financial statements.

**Volume II** is published in two parts. **Part I** presents the financial operations of the Government, segregated by ministry while **Part II** presents additional information and analyses.

### (a) PART I

**Part I** is designed to reflect as closely as possible the form and content of Part II of the Main Estimates. Most tables and statements in **Part I** display the source and disposition of spending authorities. The content of **Part I** is summarized as follows:

#### (i) Summary Tables (Section 1)

Section 1 includes tables which provide summaries of the financial operations contained in the ministerial sections. It also includes, as appendices, the full wording of all authorities granted in current year Appropriation Acts, of all non-lapsing authorities granted in the current year by Statutes other than Appropriation Acts, and of all authorities available from previous years.

#### (ii) Ministerial Sections (Sections 2 to 28)

There is one section for each ministry. The programs for the departments and agencies for which a Minister is responsible to Parliament are grouped together to provide a total ministry presentation. Each ministerial section provides a statement of program objectives and activity descriptions. Each ministerial section also includes, where applicable, a uniform set of statements to present each ministry's financial operations. These statements are:

##### • Ministry Summary

This statement displays by program the source and disposition of each budgetary and non-budgetary authority granted by Parliament in Appropriation Acts and other statutes.

##### • Programs by Activity

This statement displays by program the source and disposition of authorities for each activity under each type of expenditure (operating, capital, transfer payments and non-budgetary).

##### • Transfer Payments

This statement displays by program the source and disposition of authorities for each transfer payment (grant and contribution).

- *Details of Amounts Credited to the Vote*

This statement displays by program the nature of revenues and receipts which increase the amounts which may be spent from appropriations having net voting authority.

- *Revenue*

This statement displays by program the nature of revenue collected for each main classification of revenue.

**(b) PART II**

**Part II** presents additional information and analyses. The content of **Part II** is summarized as follows:

- financial statements of revolving funds (Section 1);
- financial statements of departmental corporations and other entities (Section 2);

- supplementary information required by the Financial Administration Act (Section 3);
- accounts receivable and deletions (Section 4);
- professional and special services (Section 5);
- construction and acquisition of land, buildings, works, machinery and equipment (Section 6);
- transfer payments (Section 7);
- public debt charges (Section 8);
- payments of damage claims, ex gratia payments, Federal Court awards and nugatory payments (Section 9);
- federal-provincial shared-cost programs (Section 10);
- other Government-wide information (Section 11); and,
- other miscellaneous information (Section 12).

**Volume III** contains an annual consolidated report on the businesses and activities of all parent Crown corporations together with a listing of all Crown corporations and other corporate interests of Canada.





# SECTION 1

1985-86  
PUBLIC ACCOUNTS

## Comparative Statements of Transactions

### CONTENTS

	<i>Page</i>
Introduction .....	1.2
Summary statement of transactions—Public Accounts presentation .....	1.3
Summary statement of transactions—Extended National Accounts presentation .....	1.9
Public Accounts and Extended National Accounts reconciliation .....	1.13

## INTRODUCTION

In this section, the financial transactions of the Government of Canada are set out in summary form, with comparative figures for the previous four years. The financial transactions are first presented according to the accounting policies explained in Note 1 to the audited financial statements in Section 2 of this volume, referred to as the Public Accounts presentation; the second presentation is on the National Income and Expenditure Accounts basis, extended to encompass other financial transactions affecting the Consolidated Revenue Fund. This second form of presentation is referred to as the Extended National Accounts presentation.

This section is intended to provide an overview of the Government's financial operations, both on the Public Accounts basis and on the Extended National Accounts basis. The Public Accounts presentation reflects the accounting procedures and conventions which have been adopted in providing Parliament with an accounting of the source and use of financial resources. The National Accounts transactions section of the Extended National Accounts presentation is designed primarily to facilitate economic analysis of the federal Government sector on a basis consistent with that used in measuring income and expenditure flows in the economy. The remaining sections show the relation between the traditional budget balance on the National Accounts basis and the Government's overall financial requirements, debt transactions and cash position.

### Public Accounts Presentation

The "Summary Statement of Transactions" table provides aggregate data on the major categories of transactions under four main headings: budgetary, non-budgetary, foreign exchange and unmatured debt. The resulting cash position at the end of each year is also shown.

This year's Public Accounts presentation is on the new accounting basis introduced in the February 1986 Budget. Under the new accounting basis, the transactions of certain specified purpose and other accounts, namely the Exchange Fund Account, the Unemployment Insurance Account, the Western Grain Stabilization Account, the Crop Reinsurance Fund and the Oil Export Charges Revenue Sharing Account, are reported with budgetary revenue and expenditure. In addition, loans to developing countries are recorded as a budgetary expenditure, and revenue and expenditure are reported net of transactions internal to the Government.

For purposes of comparability, budgetary revenue and expenditure in this section treat Canada Post as a Crown corporation for all years. This Corporation was proclaimed on October 16, 1981.

### Extended National Accounts Presentation

This section presents the Government's financial transactions on the Extended National Accounts basis. As in the Public Accounts presentation, the transactions are categorized under four main headings: the traditional National Income and Expenditure Accounts which are referred to as National Accounts transactions, loans and other transactions, foreign exchange and unmatured debt transactions. The resulting cash position at the end of each year is also shown. Starting with the line entitled "Financial requirements (excluding foreign exchange transactions)", the Extended National Accounts presentation is identical to the Public Accounts presentation.

The total for loans and other transactions will differ from the non-budgetary transactions in the Public Accounts presentation due, in part, to differences in coverage. Loans to certain agencies, such as Atomic Energy of Canada Limited, are excluded in arriving at the total of loans and other transactions on the Extended National Accounts presentation, because transactions of these agencies are included in the National Accounts transactions. Similarly, the receipts and disbursements of Government pension accounts are included in the National Accounts. As a result, they are not included in the loans and other transactions adjustment. In determining the surplus or deficit on a National Accounts basis, certain revenue items, such as corporate income tax, are reflected on an accrual, as opposed to a cash basis. The loans and other transactions category includes the adjusting entry required to convert from an accrual basis of revenue and expenditure to a cash basis.

SUMMARY STATEMENT OF TRANSACTIONS—PUBLIC ACCOUNTS PRESENTATION

Total financial requirements, excluding foreign exchange transactions, amounted to \$30,262 million for the year ended March 31, 1986. The budgetary deficit of \$34,404 million was partially offset by a source of \$4,142 million for non-budgetary transactions. Foreign exchange transactions decreased requirements by \$5,614 million. Total financial requirements were \$24,648 million in 1985-86. These transactions, together

with the \$23,534 million increase in unmatured debt, resulted in a \$1,114 million reduction in the cash balance, bringing the March 31, 1986 cash balance to \$4,744 million.

Table 1.1 sets out the financial transactions of the Government for the five years 1981-82 to 1985-86 on a comparable basis.

TABLE 1.1

GOVERNMENT OF CANADA  
PUBLIC ACCOUNTS PRESENTATION<sup>(1)</sup>  
SUMMARY STATEMENT OF TRANSACTIONS  
(in millions of dollars)

	Year ended March 31				
	1982	1983	1984	1985	1986
I. Budgetary transactions					
A. Revenue	60,001	60,705	64,211	70,891	76,823
B. Expenditure	- 74,873	- 88,521	- 96,610	- 109,215	- 111,227
Deficit	- 14,872	- 27,816	- 32,399	- 38,324	- 34,404
II. Non-budgetary transactions					
A. Loans, investments and advances	- 1,506	- 502	- 464	709	41
B. Specified purpose accounts	4,073	2,826	4,593	5,131	5,446
C. Other transactions	3,069	1,699	3,071	2,683	- 1,345
Net source	5,636	4,023	7,200	8,523	4,142
Financial requirements (excluding foreign exchange transactions)	- 9,236	- 23,793	- 25,199	- 29,801	- 30,262
III. Foreign exchange transactions <sup>(2)</sup>	558	- 640	414	2,423	5,614
Total financial requirements <sup>(3)</sup>	- 8,678	- 24,433	- 24,785	- 27,378	- 24,648
IV. Unmatured debt transactions <sup>(2)</sup>	9,367	22,392	26,618	26,824	23,534
Change in cash <sup>(4)</sup>	689	- 2,041	1,833	- 554	- 1,114
V. Cash balance at end of year	6,620	4,579	6,412	5,858	4,744

Details can be found in other sections of this volume.  
(1) Consistent with the Statement of Transactions in Section 2 of this volume.  
(2) Unmatured debt payable in foreign currencies, \$4,728 million in 1985-86 (\$2,971 million in 1984-85), has been included as part of foreign exchange transactions.  
(3) Cash requirements (-).  
(4) Cash decrease (-).

I. Budgetary Transactions

A. Revenue

Total budgetary revenue increased \$5,932 million or 8.4% to \$76,823 million in 1985-86. Tax revenue increased \$6,109 million while non-tax revenue decreased \$177 million.

Personal income tax revenue increased \$3,754 million or 12.8% compared to 8.5% in 1984-85. The growth in 1985-86 revenue was accounted for by personal income growth of 8.1% in 1985, the lowering of the federal tax reduction to \$50 from \$100 in 1985, the elimination of the federal tax reduction in 1986, the restriction of the indexation of personal income tax exemptions and tax brackets to the annual increase in the Consumer Price Index that exceeds 3% beginning in 1986, and the imposition of a 5% and 10% surtax on basic federal tax in excess of \$5,000 and \$10,000 respectively, effective July 1, 1985.

Corporate income tax collections were \$9,210 million in 1985-86 or \$169 million below the 1984-85 level of \$9,379 million. The decline in 1985-86 collections reflects the cyclical sensitivity of corporate profits and the use of various tax credits and loss carry-over provisions.

On the energy side, 1985-86 revenue collections were \$1,131 million lower at \$3,348 million compared to \$4,479 million in

1984-85, reflecting the elimination and phase-out of the various energy-related taxes, as stipulated under the Western Energy Accord.

Revenues from the sales tax and customs import duties increased 23.1% and 4.7%, respectively, from their 1984-85 levels. A one percentage point increase in the federal sales tax rates, effective January 1, 1986, broadening of the tax base and the elimination of special relief provisions, effective July 1, 1985, and an increase in consumer and business spending in 1985 accounted for the strong increase in sales tax revenue. The increase in customs import duties reflects a slowdown in the growth of imports in 1985. Other excise taxes increased \$504 million or 59.3% to \$1,354 million in 1985-86 reflecting the increase of 1 cent per cigarette in the specific excise tax on cigarettes effective May 23, 1985.

Non-tax revenue decreased by \$177 million in 1985-86 from the 1984-85 level of \$5,400 million, reflecting a \$729 million reduction in Exchange Fund Account profits, partly offset by increases in other components of non-tax revenue.

TABLE 1.2

GOVERNMENT OF CANADA  
PUBLIC ACCOUNTS PRESENTATION  
DETAILED STATEMENT OF TRANSACTIONS  
(in millions of dollars)

	Year ended March 31				
	1982	1983	1984	1985	1986
<b>I. Budgetary transactions</b>					
<b>A. REVENUE, Section 5</b>					
Tax revenue—					
Income tax—					
Personal .....	24,046	26,330	26,967	29,254	33,008
Corporation .....	8,118	7,139	7,286	9,379	9,210
Unemployment insurance contributions .....	4,753	4,900	7,259	7,553	8,712
Non-resident .....	1,018	998	908	1,021	1,053
	37,935	39,367	42,420	47,207	51,983
Excise taxes and duties—					
Sales tax .....	6,148	5,842	6,561	7,592	9,345
Customs import duties .....	3,435	2,828	3,376	3,794	3,971
Excise duties .....	1,175	1,274	1,356	1,462	1,473
Other .....	564	685	754	850	1,354
	11,322	10,629	12,047	13,698	16,143
Energy taxes—					
Petroleum and gas revenue tax and incremental oil revenue tax .....	864	1,960	2,106	2,563	2,037
Excise tax—Gasoline .....	436	408	386	404	729
Oil export charges .....	964	626	347	677	327
Canadian Ownership special charge .....	786	889	805	850	229
Excise tax—Aviation gas and diesel fuel .....					41
Natural gas and gas liquids tax .....	998	1,264	524	- 15	- 15
Special petroleum compensation charge .....	473				
	4,521	5,147	4,168	4,479	3,348
	15,843	15,776	16,215	18,177	19,491
Other tax revenue .....	120	132	126	107	126
Total tax revenue .....	53,898	55,275	58,761	65,491	71,600
Non-tax revenue—					
Return on investments—					
Bank of Canada .....	1,853	1,879	1,744	1,852	1,880
Canada Mortgage and Housing Corporation .....	873	892	941	913	892
Farm Credit Corporation .....	285	346	408	452	403
Interest on bank deposits .....	701	433	395	243	278
Exchange Fund Account .....	711	435	345	224	- 505
Other return on investments .....	641	631	539	568	791
	5,064	4,616	4,372	4,252	3,739
Other non-tax revenue .....	1,039	814	1,078	1,148	1,484
Total non-tax revenue .....	6,103	5,430	5,450	5,400	5,223
Total net revenue .....	60,001	60,705	64,211	70,891	76,823

**B. Expenditure**

Total budgetary expenditure in 1985-86 increased 1.8% to \$111,227 million compared to increases of 13% in 1984-85 and 9.1% in 1983-84. Total program expenditure—that is, total Government spending excluding public debt charges—decreased by 1.1% or \$974 million in 1985-86 to \$85,786 million.

Public debt charges rose \$2,986 million, or 13.3% to \$25,441 million in 1985-86, reflecting the increase in unmatured debt outstanding during the year. However, interest rates were somewhat below the 1984-85 average levels and this brought about the decline in the growth rate of public debt charges from 24.2% in 1984-85.

The Social Development envelope accounts for 60.5% of total program expenditure and includes such programs as old age security, unemployment insurance benefits, established programs financing, the Canada Assistance Plan, family allowances, courts and correctional services, job creation and

training, social and economic assistance to native peoples, housing, veterans benefits, and other social expenditures. In 1985-86, the envelope increased 2.5% or \$1,289 million to \$51,859 million mainly because old age security benefits, including guaranteed income supplements and spouses' allowances, increased 9.7% to \$12,525 million. Direct job creation and training decreased \$258 million and housing expenditures declined by \$228 million.

The Services to Government envelope increased \$635 million or 16.9% in 1985-86 because of the payment of \$791 million to the uninsured depositors of the Canadian Commercial and Northland banks.

Defence envelope expenditures rose \$332 million or 3.8% to \$9,094 million in 1985-86. This growth reflects Canada's commitment to its NATO allies, partly offset by deferral of capital expenditures to the following fiscal year.



The Economic and Regional Development envelope as a percentage of total program expenditure declined from 16.4% in 1981-82 to 13.8% in 1985-86. In 1985-86, the envelope declined 20.4% or \$3,028 million from \$14,851 million to \$11,823 million due to reduced outlays for the Petroleum Compensation Program, the Petroleum Incentives Program, several other energy-related programs, regional economic development grants, and certain transportation subsidies. The Petroleum Compensation Account recorded a surplus of \$136

million in 1985-86 compared to the previous year's deficit of \$1,247 million and petroleum incentive payments dropped \$235 million from \$1,735 million to \$1,500 million.

The External Affairs and Aid envelope decreased 6.1% or \$160 million in 1985-86 to \$2,479 million. The Fiscal Arrangements envelope declined slightly by 0.7% or \$44 million to \$5,941 million as equalization payments amounted to \$5,156 million, \$239 million lower than in the previous year.

TABLE 1.3

GOVERNMENT OF CANADA  
PUBLIC ACCOUNTS PRESENTATION  
DETAILED STATEMENT OF TRANSACTIONS  
(in millions of dollars)

	Year ended March 31				
	1982	1983	1984	1985	1986
<b>I. Budgetary transactions</b>					
B. EXPENDITURE, Section 6					
Social development—					
Old age security benefits, guaranteed income supplements and spouses' allowances .....	8,585	9,643	10,406	11,418	12,525
Unemployment insurance benefits .....	5,446	9,823	9,782	10,052	10,029
Established programs financing—					
Insurance and medical care services .....	4,283	4,060	5,564	6,330	6,400
Education support .....	1,730	1,677	2,252	2,492	2,580
Canada Assistance Plan .....	2,298	2,832	3,288	3,745	3,916
Family allowances .....	2,020	2,231	2,326	2,418	2,501
Justice and legal .....	1,357	1,506	1,697	1,863	2,016
Social assistance— Indians and Inuit .....	1,202	1,664	1,786	1,985	1,953
Direct job creation and training .....	1,164	1,384	1,799	2,053	1,795
Veterans benefits .....	1,140	1,283	1,387	1,458	1,535
Housing .....	943	1,853	1,598	1,657	1,429
Television, film and radio .....	741	822	913	1,034	1,023
Other .....	2,883	3,549	3,849	4,065	4,157
	33,792	42,327	46,647	50,570	51,599
Economic and regional development .....	9,801	11,590	12,074	14,851	11,823
Defence .....	5,989	6,938	7,843	8,762	9,094
Fiscal arrangements .....	4,750	5,597	5,983	5,985	5,941
Services to Government .....	3,460	2,960	3,448	3,757	4,392
External affairs and aid .....	1,814	2,037	2,358	2,639	2,479
Parliament .....	153	169	180	196	198
Total program expenditure .....	59,759	71,618	78,533	86,760	85,786
Public debt .....	15,114	16,903	18,077	22,455	25,441
Total net expenditure .....	74,873	88,521	96,610	109,215	111,227

## II. Non-budgetary Transactions

### A. Loans, Investments and Advances

In 1985-86, loans, investments and advances were a net source of \$41 million, compared to \$709 million in 1984-85, for a net reduction of \$668 million. This change includes a \$399 million decrease in the allowance for valuation of assets.

Loans, investments and advances to Crown corporations designated as lending institutions increased by \$995 million, from a source of \$692 million in 1984-85, to a requirement of \$303 million in 1985-86, principally as a result of an increase of \$855 million over the previous year's requirements in loans to the Canada Deposit Insurance Corporation, to enable the Corporation to meet its commitments to the banking system. There was also a \$169 million reduction in net repayments from the Canada Mortgage and Housing Corporation.

### B. Specified Purpose Accounts

Specified purpose accounts provided a net source of \$5,446 million in 1985-86 compared to a net source of \$5,131 million in 1984-85. This increase of \$315 million was in part attributable to higher net receipts from the Canada Pension Plan Account (reflecting federal absorption of monies declined by the provinces), the superannuation accounts, and the deposit and trust accounts. The increased source for specified purpose accounts occurred despite a \$536 million additional requirement for the provincial tax collection agreements account.

### C. Other Transactions

Other transactions provided a net requirement of \$1,345 million in 1985-86 compared to a net source of \$2,683 million



in 1984-85. This swing of \$4,028 million reflects additional requirements for accounts payable and outstanding cheques and warrants.

TABLE 1.4

GOVERNMENT OF CANADA  
PUBLIC ACCOUNTS PRESENTATION  
DETAILED STATEMENT OF TRANSACTIONS  
(in millions of dollars)

	Year ended March 31				
	1982	1983	1984	1985	1986
<b>II. Non-budgetary transactions<sup>(1)</sup></b>					
<b>A. LOANS, INVESTMENTS AND ADVANCES, Section 8</b>					
Crown corporations—					
Lending institutions—					
Canada Deposit Insurance Corporation .....	- 200	60	140	- 40	- 895
Canada Mortgage and Housing Corporation .....	- 199	- 30	194	364	195
Export Development Corporation .....	52	- 40	- 5	39	64
Farm Credit Corporation .....	- 348	- 394	- 379	172	214
Federal Business Development Bank .....	125	145	172	157	119
	- 570	- 259	122	692	- 303
All other Crown corporations—					
Air Canada .....	14	16	17	18	32
Atomic Energy of Canada Limited .....	8	3	37	38	67
Canada Development Investment Corporation .....		- 308	5	18	
Canadian National Railways .....		- 41	- 62	2	9
Petro-Canada .....	- 840	- 1,354	- 660		
Other .....	- 359	101	130	- 28	107
	- 1,177	- 1,583	- 533	48	215
Allowance for valuation of assets .....	144	1,523	- 60	100	- 100
	- 1,603	- 319	- 471	840	- 188
Other loans, investments and advances—					
Provincial and territorial governments .....	28	- 41	35	67	110
National governments including developing countries .....	- 276	- 273	- 167	- 172	- 142
International organizations (subscriptions less notes payable) .....	- 166	- 213	- 335	- 378	- 220
Veterans' Land Act Fund advances less allowance for conditional benefits .....	29	28	31	32	31
Joint and mixed enterprises .....	- 6	- 58	- 10	- 111	- 93
Miscellaneous .....	- 12	- 19	- 116	- 168	143
	- 403	- 576	- 562	- 730	- 171
Allowance for valuation of assets .....	500	393	569	599	400
	97	- 183	7	- 131	229
Total loans, investments and advances after allowance for valuation of assets .....	- 1,506	- 502	- 464	709	41
<b>B. SPECIFIED PURPOSE ACCOUNTS, Section 9</b>					
Liability accounts—					
Canada Pension Plan Account .....	170	165	152	211	511
Superannuation accounts .....	3,014	3,483	3,862	4,302	4,680
Government Annuities Account .....	- 21	- 22	- 26	- 29	- 35
Deposit and trust accounts .....	919	- 464	266	266	421
Provincial tax collection agreements account .....	- 56	- 384	277	309	- 227
Other .....	47	48	62	72	96
Total specified purpose accounts .....	4,073	2,826	4,593	5,131	5,446
<b>C. OTHER TRANSACTIONS, Sections 10 and 13</b>					
Cash in transit .....	16	- 736	689	- 6	189
Other liabilities .....	3,053	2,435	2,382	2,689	- 1,534
Total other transactions .....	3,069	1,699	3,071	2,683	- 1,345
Net non-budgetary transactions after allowance for valuation of assets .....	5,636	4,023	7,200	8,523	4,142
<b>Summary—</b>					
Net non-budgetary transactions before allowance for valuation of assets .....	4,992	2,107	6,691	7,824	3,842
Allowance for valuation of assets .....	644	1,916	509	699	300
Net non-budgetary transactions after allowance for valuation of assets .....	5,636	4,023	7,200	8,523	4,142

<sup>(1)</sup> Source/requirement (-).

### III. Foreign Exchange Transactions

Foreign exchange transactions include the operations of the Exchange Fund Account, the objective of which is to assist in maintaining orderly conditions in the exchange markets. Also included in foreign exchange transactions are subscriptions and notes payable to the International Monetary Fund, together with Special Drawing Rights. Total foreign exchange transactions provided a source in Canadian dollars of \$5,614 million in 1985-86 compared to \$2,423 million in 1984-85.

### IV. Unmatured Debt Transactions

Marketable bonds payable in Canadian currency increased in 1985-86 by \$11,811 million and Canada savings bonds by \$2,285 million; net sales of Treasury bills amounted to \$9,650

million. In total, net unmatured debt payable in Canadian currency increased by \$23,534 million in 1985-86 compared to an increase of \$26,824 million in 1984-85.

### V. Cash Balance at End of Year

Financial requirements, including foreign exchange transactions, amounted to \$24,648 million. This was largely financed by \$23,534 million in unmatured debt transactions. The excess of the increase in financial requirements over unmatured debt resulted in a decrease in the cash balance at March 31, 1986 to \$4,744 million, or \$1,114 million below the March 31, 1985 level of \$5,858 million.

TABLE 1.5

GOVERNMENT OF CANADA  
PUBLIC ACCOUNTS PRESENTATION  
DETAILED STATEMENT OF TRANSACTIONS  
(in millions of dollars)

	Year ended March 31				
	1982	1983	1984	1985	1986
<b>III. Foreign exchange transactions<sup>(1)</sup>, Section 11</b>					
International reserves held in the Exchange Fund Account .....	- 185	- 1,613	1,013	- 588	752
International Monetary Fund—Subscriptions .....	181	64	- 1,279	10	- 685
.....	- 4	- 1,549	- 266	- 578	67
Less: International Monetary Fund—Notes payable .....	2	44	- 961	- 32	- 637
Special Drawing Rights allocations .....	70	24	- 18	2	- 182
.....	72	68	- 979	- 30	- 819
Unmatured debt payable in foreign currencies .....	634	977	- 299	2,971	4,728
Total foreign exchange transactions .....	558	- 640	414	2,423	5,614
<b>IV. Unmatured debt transactions<sup>(1)</sup>, Section 12</b>					
Marketable bonds .....	3,000	4,989	7,273	12,379	15,578
Canada savings bonds .....	9,166	7,663	5,563	3,756	2,285
Special non-marketable bonds issued to the Canada Pension Plan Invest-					
ment Fund .....	18	17	18	16	240
Treasury bills .....	- 2,395	9,750	12,575	10,600	9,650
Notes and loans .....	268	863	1,085	2,987	861
.....	10,057	23,282	26,514	29,738	28,614
Less:					
Government's holdings of unmatured debt—					
Marketable bonds .....	14	- 110	164	- 122	131
Canada savings bonds held on account of employees .....	24	6	13	49	- 19
Special non-marketable bonds issued to the Canada Pension Plan					
Investment Fund .....	18	17	18	16	240
Unmatured debt payable in foreign currencies .....	634	977	- 299	2,971	4,728
.....	690	890	- 104	2,914	5,080
Total unmatured debt transactions payable in Canadian currency .....	9,367	22,392	26,618	26,824	23,534
<b>V. Cash balance at end of year, Section 13</b>					
In Canadian currency .....	6,541	4,193	6,329	5,779	4,566
In foreign currencies .....	79	386	83	79	178
Total cash balance .....	6,620	4,579	6,412	5,858	4,744

<sup>(1)</sup> Source/requirement ( - ).

TABLE 1.6

GOVERNMENT OF CANADA  
PUBLIC ACCOUNTS PRESENTATION  
DETAILED STATEMENT OF TRANSACTIONS—CERTAIN SPECIFIED PURPOSE ACCOUNTS  
(in millions of dollars)

	Year ended March 31				
	1982	1983	1984	1985	1986
<b>CANADA PENSION PLAN</b>					
Receipts—					
Employer and employee contributions .....	3,282	3,446	3,716	3,879	4,495
Investment income .....	1,850	2,236	2,534	2,889	3,162
Disbursements—					
Pensions .....	- 2,456	- 3,036	- 3,657	- 4,224	- 4,887
Administration expenses .....	- 76	- 85	- 89	- 100	- 111
Net .....	2,600	2,561	2,504	2,444	2,659
Investments—Provincial government securities in Investment Fund .....	- 2,430	- 2,396	- 2,352	- 2,233	- 2,148
Total (net) Canada Pension Plan .....	170	165	152	211	511
<b>SUPERANNUATION ACCOUNTS</b>					
<b>Public Service Superannuation Account—</b>					
Receipts—					
Government contribution .....	321	339	349	373	391
Employee contributions .....	331	339	362	379	384
Public Service corporations—Employer and employee contributions .....	128	232	239	246	246
Interest .....	837	981	1,261	1,616	1,993
Actuarial liability adjustment .....	951	267			
Other .....	14	21	21	21	25
Disbursements—					
Annuities .....	- 466	- 523	- 576	- 647	- 740
Other .....	- 65	- 45	- 42	- 49	- 65
Change in unamortized portion of actuarial deficiency .....	- 375	301	481	356	244
Net .....	1,676	1,912	2,095	2,295	2,478
<b>Canadian Forces Superannuation Account—</b>					
Receipts—					
Government contribution .....	159	183	200	212	223
Employee contributions .....	91	105	113	120	125
Interest .....	618	755	933	1,125	1,350
Actuarial liability adjustment .....	454	286	20		
Other .....	1	2	2	2	2
Disbursements—					
Annuities .....	- 292	- 315	- 336	- 363	- 394
Other .....	- 15	- 12	- 10	- 13	- 16
Change in unamortized portion of actuarial deficiency .....	- 151	20	239	203	152
Net .....	865	1,024	1,161	1,286	1,442
<b>Royal Canadian Mounted Police Superannuation Account—</b>					
Receipts—					
Government contribution .....	52	61	65	67	68
Employee contributions .....	27	31	34	34	34
Interest .....	68	103	127	157	196
Actuarial liability adjustment .....	51	5			
Disbursements—					
Annuities .....	- 16	- 19	- 21	- 24	- 27
Other .....	- 3	- 2	- 2	- 2	- 2
Change in unamortized portion of actuarial deficiency .....	- 21	17	22	19	11
Net .....	158	196	225	251	280
<b>Supplementary Retirement Benefits Account—</b>					
Receipts—					
Government contribution .....	88	81	94	100	103
Employee contributions .....	83	87	94	100	103
Public Service corporations—Employer and employee contributions .....	24	43	45	46	47
Other .....	159	180	185	260	268
Disbursements—					
Annuities .....	- 26	- 31	- 27	- 25	- 27
Other .....	- 13	- 9	- 10	- 11	- 14
Net .....	315	351	381	470	480
Total (net) superannuation accounts .....	3,014	3,483	3,862	4,302	4,680

# SUMMARY STATEMENT OF TRANSACTIONS—EXTENDED NATIONAL ACCOUNTS PRESENTATION

The National Income and Expenditure Accounts were developed as a basis for economic analysis of income and expenditure flows in the economy. The concepts and definitions applied to the Government sector are consistent with those applied to other sectors and follow international practices developed under the aegis of the United Nations. The economic nature of a transaction is the determining factor in its classification within the National Accounts framework. The Extended National Accounts present, in addition to the traditional National Accounts revenue, expenditure and balance shown here under the heading "National Accounts transac-

tions", the items which account for the difference between the National Accounts budget balance and total financial requirements on the Public Accounts basis.

In 1985-86, National Accounts transactions resulted in a deficit of \$28,285 million. Loans and other transactions represented a net requirement of \$1,977 million. Foreign exchange transactions decreased requirements by \$5,614 million and unmatured debt transactions provided a source of \$23,534 million. As previously noted, foreign exchange and unmatured debt transactions are identical to those reported in the Public Accounts presentation.

TABLE 1.7

## GOVERNMENT OF CANADA EXTENDED NATIONAL ACCOUNTS PRESENTATION SUMMARY STATEMENT OF TRANSACTIONS (in millions of dollars)

	Year ended March 31				
	1982	1983	1984	1985	1986
<b>I. National Accounts transactions<sup>(1)</sup></b>					
A. Revenue <sup>(2)</sup>	66,855	66,307	71,286	77,914	84,994
B. Expenditure <sup>(3)</sup>	- 75,926	- 89,936	- 97,497	- 111,088	- 113,279
Deficit	- 9,071	- 23,629	- 26,211	- 33,174	- 28,285
<b>II. Loans and other transactions</b>					
A. Loans, investments and advances	- 1,445	- 330	- 673	701	- 99
B. Accrual accounts	- 545	- 32	979	1,864	- 2,556
C. Other transactions	1,825	198	706	808	678
Net source or requirement (-)	- 165	- 164	1,012	3,373	- 1,977
Financial requirements (excluding foreign exchange transactions)	- 9,236	- 23,793	- 25,199	- 29,801	- 30,262
<b>III. Foreign exchange transactions<sup>(4)</sup></b>	558	- 640	414	2,423	5,614
Total financial requirements <sup>(5)</sup>	- 8,678	- 24,433	- 24,785	- 27,378	- 24,648
<b>IV. Unmatured debt transactions<sup>(4)</sup></b>	9,367	22,392	26,618	26,824	23,534
Change in cash <sup>(6)</sup>	689	- 2,041	1,833	- 554	- 1,114
<b>V. Cash balance at end of year</b>	6,620	4,579	6,412	5,858	4,744

<sup>(1)</sup> These "National Accounts transactions" are consistent with those released by Statistics Canada on August 29, 1986.

<sup>(2)</sup> "Total revenue" plus "Capital consumption allowances" as per Statistics Canada's National Income and Expenditure Accounts.

<sup>(3)</sup> "Current expenditures" plus "Gross capital formation" as per Statistics Canada's National Income and Expenditure Accounts.

<sup>(4)</sup> Unmatured debt payable in foreign currencies has been included as part of foreign exchange transactions.

<sup>(5)</sup> Cash requirements (-).

<sup>(6)</sup> Cash decrease (-).

## I. National Accounts Transactions

### A. Revenue

On a National Accounts basis, total revenue increased \$7,080 million or 9.1% in 1985-86. This compares with an increase of \$5,932 million or 8.4% on a Public Accounts basis. The differences in growth rates relate to conceptual differences in treatment between the National Accounts and the Public Accounts.

These conceptual differences are mainly as follows:

- (a) There are differences in the treatment of energy taxes. The petroleum compensation charge is included in revenue in the National Accounts but is excluded from

revenue in the Public Accounts. In 1985-86, this item amounted to \$690 million or \$1,601 million below the 1984-85 level of \$2,291 million.

- (b) Direct taxes on persons in the National Accounts include employer-employee contributions to Government pension funds. These items, which are excluded from Public Accounts budgetary revenue, amounted to \$1,899 million in 1985-86, or 7.8% above the 1984-85 level of \$1,762 million.



- (c) Investment income on a National Accounts basis does not include profits from gold sales, which are included in the Public Accounts. However, in addition to the other "return on investments" categories of the Public Accounts, the National Accounts investment income includes interest on superannuation accounts and imputed banking services and is reduced by the amount of deficits of Government business enterprises. Interest on superannuation accounts, interest on loans and advances, imputed banking services and net profits of Government business enterprises amounted to \$4,212 million, \$2,220 million, \$122 million and \$1,968 million respectively in 1985-86, compared to \$3,767 million, \$2,027 million, \$116 million and \$1,755 million respectively in 1984-85. For these four categories together, the growth was \$857 million in 1985-86 or 11.2%.
- (d) In the National Accounts, corporate tax revenue is recorded on a liability basis rather than on the Public Accounts collection basis. In addition, the National Accounts amount includes the petroleum and gas revenue tax and the incremental oil revenue tax, which are included in the Public Accounts as energy taxes. In 1985-86, corporate liabilities increased \$114 million or 1% compared to a decrease of \$169 million or 1.8% for collections on a Public Accounts basis.
- (e) In addition, the National Accounts include capital consumption allowances which are excluded from the Public Accounts. In 1985-86, capital consumption allowances amounted to \$1,278 million or 9.4% above the 1984-85 level of \$1,168 million.

With respect to the broad categories, direct taxes from persons on a National Accounts basis increased in 1985-86 by \$6,309 million or 16.7%. As already indicated, corporate liabilities were up \$114 million or 1%. Indirect taxes decreased \$109 million or 0.6% reflecting the elimination and phase-out of various energy-related taxes, as stipulated under the Western Energy Accord. Investment income rose \$857 million or 11.2%, reflecting higher interest earned on Government-held public funds and higher net remitted profits of Government business enterprises.

## B. Expenditure

Federal Government expenditure on a National Accounts basis was \$113,279 million in 1985-86, an increase of \$2,191 million or 2% over 1984-85. This compares with an increase of \$2,012 million or 1.8% on a Public Accounts basis. As with the revenue, these differences reflect conceptual differences which are mainly as follows:

- (a) In the National Accounts, petroleum compensation payments are recorded on a gross accrual basis, while in the Public Accounts, the petroleum compensation account is recorded on a net basis with revenues credited to expenditures. On a National Accounts basis, petroleum compensation payments were \$996 million in 1985-86 as compared to \$3,485 million in 1984-85, representing a decrease of \$2,489 million. This decrease was \$1,106 million above the Public Accounts petroleum compensation account expenditure increase of \$1,383 million.
- (b) The National Accounts substitutes the expenditures of identified funds and agencies for Government transfers to these funds and agencies. Similarly, transfer payments

to persons in the National Accounts expenditure include public service pension payments instead of the Government's contributions to the pension funds. These pension benefit payments, which are not included in Public Accounts budgetary expenditure, amounted to \$2,061 million or 14% above the 1984-85 level of \$1,808 million.

- (c) Deficits of Government business enterprises are deducted in the National Accounts from revenue, while in the Public Accounts they are included in expenditure.
- (d) The National Accounts expenditure excludes identified reserves or write-offs such as the provision for valuation which is included in budgetary expenditure.
- (e) As with revenue, the National Accounts expenditure includes capital consumption allowances which are excluded from Public Accounts expenditure.

Transfer payments to other levels of government increased to \$20,775 million or 7.5% in 1985-86 compared with growth rates of 9.4% in 1984-85 and 16% in 1983-84. Payments under the taxation agreements decreased slightly by \$44 million, or 0.8% to \$5,621 million, while federal contributions to the provinces for hospital insurance, medical care and post-secondary education increased slightly by 0.8% in 1985-86 to \$8,663 million. Canada Assistance Plan payments to the provinces rose \$244 million, or 6.7%, to \$3,875 million in 1985-86 because of continuing high levels of unemployment. Other transfers to the provinces increased significantly mainly due to the payments for official languages education.

Transfer payments to persons increased \$1,501 million or 4.9% in 1985-86 compared with rates of increase of 7.5% and 8.6% in 1984-85 and 1983-84 respectively. Old age security benefits grew 9.7% or \$1,101 million to \$12,405 million in 1985-86. Unemployment insurance benefits increased only \$1 million to \$10,064 million. Following an increase of 10.4% in 1984-85, Government pensions increased 14% to \$2,061 million in 1985-86. The "other transfers to persons" category grew \$64 million or 1.3% in 1985-86.

Total current goods and services grew 7.3% to \$23,755 million. Defence goods and services expenditures increased \$765 million, or 9%, in 1985-86, while non-defence goods and services expenditures increased \$859 million, or 6.3%, to \$14,500 million. Wages, salaries and supplementary labour income increased \$248 million, or 2.4% to \$10,698 million, while military pay and allowances increased \$177 million, or 6.7%, to \$2,806 million in 1985-86. Other current goods and services increased significantly by \$1,107 million, or 14%, to \$8,973 million in 1985-85, due primarily to military capital expenditures.

Interest on the public debt rose \$2,441 million or 10.7% in 1985-86, compared to increases of 25.6% in 1984-85 and 7.4% in 1983-84. The slower growth in 1985-86 reflects a decline in interest rates.

The decrease in gross capital formation of 11.2%, or \$278 million, to \$2,196 million reflects the declining impact of new capital projects under the Special Recovery Capital Projects Program introduced in the April 1983 Budget. Current transfers to non-residents remained almost unchanged in 1985-86.

Subsidies decreased significantly in 1985-86 by \$2,570 million or 32.9% to \$5,234 million. This is explained by the drop



in oil subsidies due to the phasing out of the compensation programs. The other subsidies category declined slightly by 1.9% to \$4,238 million mainly because of a decline in publisher's subsidies. In addition, capital assistance declined 19.7%, or

\$679 million, to \$2,771 million in 1985-86 as the Petroleum Incentives Program payments were down compared to 1984-85 due to the phasing out of the program as stipulated under the Western Energy Accord.

TABLE 1.8

GOVERNMENT OF CANADA  
EXTENDED NATIONAL ACCOUNTS PRESENTATION  
DETAILED STATEMENT OF TRANSACTIONS  
(in millions of dollars)

	Year ended March 31				
	1982	1983	1984	1985	1986
<b>I. National Accounts transactions</b>					
<b>A. REVENUE—</b>					
Direct taxes—					
Persons .....	30,563	33,213	35,706	37,781	44,090
Corporations .....	8,926	9,292	10,050	11,392	11,278
Non-residents .....	1,163	1,116	1,051	1,170	1,192
Total direct taxes .....	40,652	43,621	46,807	50,343	56,560
Indirect taxes .....	19,355	16,863	16,789	18,719	18,610
Other current transfers from persons .....	15	15	16	19	24
Investment income .....	5,885	4,779	6,582	7,665	8,522
Capital consumption allowances .....	948	1,029	1,092	1,168	1,278
Total revenue .....	66,855	66,307	71,286	77,914	84,994
<b>B. EXPENDITURE—</b>					
Current goods and services—					
Defence .....	5,669	6,913	7,578	8,490	9,255
Non-defence .....	11,286	12,286	12,640	13,641	14,500
Total current goods and services .....	16,955	19,199	20,218	22,131	23,755
Transfer payments to persons .....	19,776	25,989	28,233	30,355	31,856
Subsidies .....	6,535	5,915	5,825	7,804	5,234
Capital assistance .....	1,042	3,373	3,239	3,450	2,771
Current transfers to non-residents .....	944	1,072	1,282	1,541	1,540
Interest on the public debt .....	14,855	16,821	18,072	22,711	25,152
Transfers to provinces .....	14,217	15,902	18,316	20,120	20,291
Transfers to local governments .....	326	345	528	502	484
Gross capital formation .....	1,276	1,320	1,784	2,474	2,196
Total expenditure .....	75,926	89,936	97,497	111,088	113,279
Deficit .....	-9,071	-23,629	-26,211	-33,174	-28,285

## II. Loans and Other Transactions

### A. Loans, Investments and Advances

Loans, investments and advances, on an Extended National Accounts basis, were a requirement of \$99 million in 1985-86, a reduction of \$800 million from the 1984-85 source of \$701 million. This reflects principally a \$995 million increased requirement for loans, investments and advances to lending institutions, principally the Canada Deposit Insurance Corporation, partly offset by a reduction of \$218 million in loans to other levels of government.

### B. Accrual Accounts

This category reflects mainly the difference between the modified cash recording on the Public Accounts basis and the accrual recording on the National Accounts basis. The category

also records several items such as cash in transit, accounts payable and accrued interest. These items are generally of a capital nature and are not included in the National Accounts revenue and expenditure categories. These accrual accounts were a requirement of \$2,556 million in 1985-86 as compared to a source of \$1,864 million in 1984-85.

### C. Other Transactions

Other transactions provided a source of \$678 million in 1985-86 compared to \$808 million in 1984-85. This category includes the provincial tax collection agreements account, deposit and trust accounts, and other transactions that are not included in National Accounts revenue and expenditure.

TABLE 1.9

GOVERNMENT OF CANADA  
EXTENDED NATIONAL ACCOUNTS PRESENTATION  
DETAILED STATEMENT OF TRANSACTIONS  
(in millions of dollars)

	Year ended March 31				
	1982	1983	1984	1985	1986
<b>II. Loans and other transactions</b>					
<b>A. LOANS, INVESTMENTS AND ADVANCES—</b>					
Lending institutions—					
Canada Deposit Insurance Corporation .....	- 200	60	140	- 40	- 895
Canada Mortgage and Housing Corporation .....	- 199	- 30	194	364	195
Export Development Corporation .....	52	- 40	- 5	39	64
Farm Credit Corporation .....	- 348	- 394	- 379	172	214
Veterans' Land Act .....	29	28	31	32	31
Federal Business Development Bank .....	125	145	172	157	119
Municipal Development and Loan Board .....	12	12	13	13	14
	- 529	- 219	166	737	- 258
Regional economic development—					
Stabilization and development loans to provinces .....	9	9	9	10	10
Regional Industrial Expansion .....	13	102	22	40	32
Electrical loans .....	- 1	- 4	- 6	- 3	8
	21	107	25	47	50
Transportation and communications—					
Air Canada .....	14	16	17	18	32
Canadian National Railways .....		- 41	- 62	2	9
Canadian Broadcasting Corporation .....					
Other .....	9	- 7	5	4	50
	23	- 32	- 40	24	91
Loans to other levels of government—					
Other levels of governments—Domestic .....	- 7	- 84	- 4	30	60
Other governments—International .....	- 276	- 273	- 167	- 172	- 142
International organizations .....	- 166	- 213	- 335	- 378	- 220
	- 449	- 570	- 506	- 520	- 302
Miscellaneous—					
Petro-Canada .....	- 840	- 1,354	- 660		
Other .....	- 315	- 178	- 167	- 286	20
	- 1,155	- 1,532	- 827	- 286	20
Allowance for valuation of assets .....	644	1,916	509	699	300
Total loans, investments and advances .....	- 1,445	- 330	- 673	701	- 99
<b>B. ACCRUAL ACCOUNTS—</b>					
Interest and matured debt .....	1,848	1,677	1,212	1,166	- 230
Supplementary period accounts .....	- 3,481	- 890	185	- 405	- 2,074
Corporate income tax .....	91	- 910	- 512	458	295
Oil export charges .....	87	47	- 27	- 71	83
Gross capital formation .....	129	100	- 216	- 17	- 142
Outstanding cheques and warrants .....	9	29	208	516	- 488
Allowance for valuation of certain liabilities .....	772	- 85	129	217	
Total accrual accounts .....	- 545	- 32	979	1,864	- 2,556
<b>C. OTHER TRANSACTIONS—</b>					
Provincial tax collection agreements account .....	- 56	- 384	277	309	- 227
Other .....	1,881	582	429	499	905
Total other transactions .....	1,825	198	706	808	678
Net source or requirement ( - ) .....	- 165	- 164	1,012	3,373	- 1,977

PUBLIC ACCOUNTS AND EXTENDED NATIONAL ACCOUNTS RECONCILIATION

While the Public Accounts and the Extended National Accounts presentations result in the same total financial requirement figures, differences exist in the treatment of transactions in arriving at the budgetary surplus or deficit on a Public Accounts basis and the surplus or deficit on an Extended National Accounts basis. These differences are offset in the non-budgetary and foreign exchange components of total financial requirements.

The reconciliation of transactions according to the two systems of accounts is set out in the tables that follow. The major factors which give rise to the need for a reconciliation are listed below.

The deficits of Government business enterprises which are outside the Government accounting entity are, for Public Accounts presentation purposes, met through budgetary appropriations and thus recorded as budgetary expenditure. In the National Accounts presentation, these deficits, including the deficit of the Canada Post Corporation, are netted against Government investment income.

Revenue in the Public Accounts is recorded on a cash basis. While the major portion of National Accounts revenue is accounted for on a cash basis, certain items, such as corporate income taxes and the oil export charges, are reported on an accrual basis.

Transactions of employee pension accounts are treated as non-budgetary in the Public Accounts, although the Government's contributions to these accounts and interest payments on the Government's liability to these accounts form part of budgetary expenditure. Employer and employee contributions to these accounts, plus any related interest income, form part of Government revenue in the Extended National Accounts presentation, and pension payments form part of Government expenditure.

In the Public Accounts presentation, the purchase of capital assets such as buildings and machinery is recorded as a budgetary expenditure in the year of acquisition. Only newly produced capital assets and capital expenditures are included in National Accounts expenditure. Both Government revenue and expenditure include an allowance for the depreciation of capital assets in the National Accounts, while no such provision is made in the Public Accounts presentation.

The Extended National Accounts includes certain Government agencies which are not part of the Public Accounts. The actual financial transactions of those agencies form part of Extended National Accounts revenue and expenditure. Transfers and loans to these agencies are thus not accounted for in the Extended National Accounts presentation.

TABLE 1.10

GOVERNMENT OF CANADA  
PUBLIC ACCOUNTS AND EXTENDED NATIONAL ACCOUNTS RECONCILIATION  
REVENUE  
(in millions of dollars)

	Year ended March 31				
	1982	1983	1984	1985	1986
Budgetary revenue—Public Accounts	60,001	60,705	64,211	70,891	76,823
Reconciling items—					
Government pension	3,960	4,508	4,965	5,529	6,111
Corporate income tax—Excess of accruals over collections	— 91	910	512	— 458	— 295
Capital consumption allowances	948	1,029	1,092	1,168	1,278
Petroleum compensation charge <sup>(1)</sup>	3,855	2,743	1,833	2,291	690
Non-tax revenue <sup>(2)</sup>	— 488	— 588	— 658	— 837	— 705
Deficits of Government business enterprises	— 1,465	— 1,135	— 1,242	— 951	— 975
Miscellaneous <sup>(3)</sup>	135	— 1,865	573	281	2,067
Total revenue—Extended National Accounts	66,855	66,307	71,286	77,914	84,994

(1) In the Public Accounts, the petroleum compensation charge is netted against petroleum compensation payments and included in budgetary expenditure. Gross revenues and payments are recorded in the National Accounts.

(2) Various items of non-tax revenue, such as service fees and proceeds from the sale of current goods, which are reported as revenue in the Public Accounts, are netted to expenditure in the National Accounts.

(3) Major items under the miscellaneous caption include adjustments for proceeds from the sale of used capital assets, the air transportation tax, imputed items, and the treatment of revenue in the supplementary accounting period after March 31.

TABLE 1.11

GOVERNMENT OF CANADA  
PUBLIC ACCOUNTS AND EXTENDED NATIONAL ACCOUNTS RECONCILIATION  
EXPENDITURE  
(in millions of dollars)

	Year ended March 31				
	1982	1983	1984	1985	1986
Budgetary expenditure—Public Accounts .....	74,873	88,521	96,610	109,215	111,227
Reconciling items—					
Government pension .....	1,295	1,483	1,637	1,808	2,061
Net expenditure of funds and agencies <sup>(1)</sup> .....	797	951	1,094	1,171	1,210
Capital consumption allowances .....	948	1,029	1,092	1,168	1,278
Petroleum compensation program <sup>(2)</sup> .....	3,804	2,746	1,780	2,246	1,132
Non-tax revenue <sup>(3)</sup> .....	- 488	- 588	- 658	- 837	- 705
Deficits of Government business enterprises .....	- 1,465	- 1,135	- 1,242	- 951	- 975
Budgetary transfers to funds and agencies .....	- 1,832	- 168	- 1,828	- 2,907	- 1,893
Miscellaneous <sup>(4)</sup> .....	- 2,006	- 2,903	- 988	175	- 56
Total expenditure—Extended National Accounts .....	75,926	89,936	97,497	111,088	113,279

<sup>(1)</sup> In the National Accounts, budgetary appropriations to various funds and agencies are replaced by net actual expenditures of the funds and agencies.

<sup>(2)</sup> This item represents the difference between the gross payments recorded on the National Accounts basis and net payments recorded on the Public Accounts basis.

<sup>(3)</sup> Various non-tax revenues, such as service fees and proceeds from the sale of current goods, which are reported as revenue in the Public Accounts, are netted to expenditure in the National Accounts.

<sup>(4)</sup> Major items under the miscellaneous caption include adjustments for reserves and write-offs, a provision for the valuation of assets and liabilities, purchase of used capital assets, imputed items, and the treatment of expenditure in the supplementary accounting period after March 31.

TABLE 1.12

GOVERNMENT OF CANADA  
PUBLIC ACCOUNTS AND EXTENDED NATIONAL ACCOUNTS RECONCILIATION  
NON-BUDGETARY  
(in millions of dollars)

	Year ended March 31				
	1982	1983	1984	1985	1986
Non-budgetary transactions—Public Accounts .....	5,636	4,023	7,200	8,523	4,142
Reconciling items—					
Government pension .....	- 3,255	- 3,894	- 4,171	- 4,415	- 4,345
Corporate income tax—Excess of accruals over collections .....	91	- 910	- 512	458	295
Miscellaneous <sup>(1)</sup> .....	- 2,637	617	- 1,505	- 1,193	- 2,069
Total loans and other transactions—Extended National Accounts .....	- 165	- 164	1,012	3,373	- 1,977

<sup>(1)</sup> Major items under the miscellaneous caption include adjustments for a provision for the valuation of assets and liabilities, and the treatment of revenue and expenditure in the supplementary accounting period after March 31.

# SECTION 2

1985-86  
PUBLIC ACCOUNTS

## Audited Financial Statements of the Government of Canada

### CONTENTS

	<i>Page</i>
Statement of responsibility and preface .....	2.2
Statement of transactions .....	2.5
Statement of revenue and expenditure .....	2.6
Statement of accumulated deficit .....	2.7
Statement of assets and liabilities .....	2.8
Statement of source and disposition of authorities .....	2.10
Notes to the financial statements of the Government of Canada .....	2.11
Opinion of the Auditor General on the financial statements of the Government of Canada .....	2.18



## **STATEMENT OF RESPONSIBILITY AND PREFACE TO THE AUDITED FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA**

The financial statements in this section were prepared by the Government of Canada in accordance with the accounting policies set out in Note 1 to the statements, and on a basis consistent with that of the preceding year, after giving retroactive effect to the changes in accounting policies described in Note 3. These changes in accounting policies, which were introduced in the February 26, 1986 Budget of the Minister of Finance, are the result of significant research and consultation by the Government. They directly respond to previous reservations of the Auditor General on the financial statements, and are consistent with the recommendations issued to date by the Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants.

The fundamental purpose of the financial statements is to provide information to Parliament and thus to the public, to facilitate an understanding and evaluation of:

- the full nature and extent of the financial affairs and resources for which the Government is responsible, distinguishing between those of the Government and those relating to Crown corporations; and
- whether the financial resources were administered by the Government in accordance with the dollar limits established by the appropriate legislative authorities.

The two basic concepts underlying the Government's accounting system are found in the Constitution Acts: first, the concept of the Consolidated Revenue Fund, which emanates from the requirement that all duties and revenues received, other than those reserved to the provinces, "shall form One Consolidated Revenue Fund"; second, the concept that the balance of the Fund, after certain prior charges, "shall be appropriated by the Parliament of Canada".

Responsibility for the integrity and objectivity of the financial statements rests with the Government. The financial statements are prepared under the joint direction of the President of the Treasury Board, the Minister of Finance, and the Receiver General for Canada, in compliance with governing legislation. The financial statements are prepared on a modified cash basis of accounting. Where there are departures from cash accounting, the information included in these financial statements is based on the Government's best estimates and judgement, with due consideration given to materiality. Financial information, contained elsewhere in this volume, is consistent with that in the financial statements, unless otherwise indicated.

To fulfill its accounting and reporting responsibilities, the Government maintains systems of financial management and internal control which give due consideration to costs, benefits and risks, and which are designed to provide reasonable assurance that transactions are properly authorized, are executed in accordance with prescribed regulations, are authorized by Parliament, and are properly recorded so as to maintain accountability of public money and safeguard the assets and properties of Canada under Government administration. The Receiver General for Canada maintains the accounts of Canada, a centralized record of the Government's financial transactions, and obtains additional information as required, from departments, agencies and Crown corporations, to meet accounting and reporting requirements.

The Auditor General of Canada provides an independent opinion on the financial statements prepared by the Government. The duties of the Auditor General in that respect are set out in Section 6 of the Auditor General Act, S.C. 1976-77, C.34, which states in part that the Auditor General "shall express his opinion as to whether they (the financial

statements) present fairly information in accordance with stated accounting policies of the federal government and on a basis consistent with that of the preceding year together with any reservations he may have”.

Annually, the financial statements are tabled in Parliament as part of the Public Accounts, and are referred to the Standing Committee on Public Accounts, which reports to Parliament on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying audit report.

The financial statements consist of five statements and accompanying notes. The first statement is the Statement of Transactions, which shows how the financial requirements were met, and the effect of the transactions on the Consolidated Revenue Fund. The financial transactions are classified into the following categories:

- The first category, budgetary, consists of all the transactions with outside parties which enter into the calculation of the annual deficit or surplus of the Government, that is, the receipts from tax revenue, non-tax revenue, together with the expenditures authorized by Parliament.
- The second category, non-budgetary, consists of transactions in loans, investments and advances, in liabilities for the administration of certain public money received or collected for special purposes, and in other liabilities. These transactions account for the change in the financial claims and obligations of the Government.
- The third category, foreign exchange, reflects transactions in international reserves held in the Exchange Fund Account (the principal objective of which is to aid in the control and protection of the external value of the Canadian dollar) together with an accounting of the net position of the Government with respect to the International Monetary Fund. Foreign exchange transactions include unmatured debt payable in foreign currencies.
- The fourth category, unmatured debt, represents the extent to which financial requirements have been met through the increase in unmatured debt, that is, the net change in amounts owing for marketable bonds, Canada savings bonds, Treasury bills, and certain notes and loans. Unmatured debt transactions exclude unmatured debt payable in foreign currencies.

The second statement is the Statement of Revenue and Expenditure, which gives a more detailed accounting of the budgetary transactions summarized in the Statement of Transactions.

The third statement is the Statement of Accumulated Deficit which shows the changes in the accumulated deficit for the last two years.

The fourth statement is the Statement of Assets and Liabilities. This statement differs in some ways from the conventional balance sheet of the private sector. Fixed assets, having been accounted for as expenditures, are reported at the nominal value of \$1, and revenues not yet received, such as uncollected taxes, are not recorded as assets. It should be noted, therefore, that the difference between net recorded assets and total liabilities is simply the aggregate of annual budgetary deficits and surpluses determined in accordance with the accounting policies of the Government; this difference should not be taken as the Government's net worth.

The fifth statement is the Statement of Source and Disposition of Authorities, which summarizes by ministry, the use of parliamentary appropriations for budgetary expenditure and for loans, investments and advances. Total budgetary expenditure on this statement differs from total expenditure on the Statement of Transactions and the Statement of Revenue and Expenditure. The reasons for the differences are set out in Note 13 to the financial statements.

Other sections in this volume, together with Volumes II and III of the Public Accounts, are designed to provide more detailed information supporting the financial statements.



## GOVERNMENT OF CANADA

**Statement of Transactions**  
**for the Year Ended March 31, 1986**  
(in millions of dollars)

	1986	1985
<b>BUDGETARY TRANSACTIONS</b>		
Revenue .....	76,823	70,891
Expenditure .....	- 111,227	- 109,215
Deficit .....	- 34,404	- 38,324
<b>NON-BUDGETARY TRANSACTIONS</b>		
Loans, investments and advances .....	41	709
Specified purpose accounts .....	5,446	5,131
Other transactions .....	- 1,345	2,683
Net source .....	4,142	8,523
Financial requirements (excluding foreign exchange transactions) .....	- 30,262	- 29,801
<b>FOREIGN EXCHANGE TRANSACTIONS<sup>(1)</sup></b>		
Total financial requirements <sup>(2)</sup> .....	- 24,648	- 27,378
<b>UNMATURED DEBT TRANSACTIONS<sup>(1)</sup></b>		
Change in cash .....	23,534	26,824
	- 1,114	- 554
<b>CASH BALANCE AT END OF YEAR</b>		
	4,744	5,858

The accompanying notes are an integral part of this statement.

Details can be found in other sections of this volume.

<sup>(1)</sup> Unmatured debt payable in foreign currencies, \$4,728 million in 1986 (\$2,971 million in 1985), has been included as part of foreign exchange transactions.

<sup>(2)</sup> Cash requirements (-).

September 15, 1986

MICHAEL H. RAYNER, F.C.A.  
Comptroller General of Canada

STANLEY H. HARTT  
Deputy Minister of Finance

GEORGINA WYMAN  
Deputy Receiver General for Canada

## GOVERNMENT OF CANADA

# Statement of Revenue and Expenditure for the Year Ended March 31, 1986

(in millions of dollars)

	1986		1985	
	Gross <sup>(1)</sup>	Net <sup>(1)</sup>	Gross <sup>(1)</sup>	Net <sup>(1)</sup>
<b>REVENUE, Table 5.1, Section 5—</b>				
<b>TAX REVENUE</b>				
Income tax—				
Personal .....	33,008	33,008	29,254	29,254
Corporation .....	9,210	9,210	9,379	9,379
Unemployment insurance contributions .....	8,712	8,712	7,553	7,553
Non-resident .....	1,053	1,053	1,021	1,021
	51,983	51,983	47,207	47,207
Excise taxes and duties—				
Sales tax .....	9,345	9,345	7,592	7,592
Customs import duties .....	3,971	3,971	3,794	3,794
Energy taxes .....	4,441	3,348	6,687	4,479
Other .....	3,134	2,827	2,538	2,312
	20,891	19,491	20,611	18,177
Other tax revenue .....	126	126	107	107
	73,000	71,600	67,925	65,491
<b>NON-TAX REVENUE</b>				
Return on investments .....	3,739	3,739	4,252	4,252
Other non-tax revenue .....	2,796	1,484	2,464	1,148
	6,535	5,223	6,716	5,400
<b>TOTAL REVENUE (Note 15) .....</b>	<b>79,535</b>	<b>76,823</b>	<b>74,641</b>	<b>70,891</b>
<b>EXPENDITURE, Table 6.1, Section 6—</b>				
Social development—				
Old age security benefits, guaranteed income supplements and spouses' allowances .....	12,525	12,525	11,418	11,418
Unemployment insurance benefits .....	10,029	10,029	10,052	10,052
Established programs financing—				
Insurance and medical care services .....	6,400	6,400	6,330	6,330
Education support .....	2,580	2,580	2,492	2,492
Canada Assistance Plan .....	3,916	3,916	3,745	3,745
Family allowances .....	2,501	2,501	2,418	2,418
Justice and legal .....	2,016	2,016	1,863	1,863
Social assistance—Indians and Inuit .....	1,953	1,953	1,985	1,985
Direct job creation and training .....	1,795	1,795	2,053	2,053
Veterans benefits .....	1,535	1,535	1,458	1,458
Housing .....	1,429	1,429	1,657	1,657
Television, film and radio .....	1,023	1,023	1,040	1,034
Other .....	4,562	4,157	4,466	4,065
	52,264	51,859	50,977	50,570
Economic and regional development .....	13,630	11,823	17,641	14,851
Defence .....	9,366	9,094	9,021	8,762
Fiscal arrangements .....	5,941	5,941	5,985	5,985
Services to Government .....	4,599	4,392	4,031	3,757
External affairs and aid .....	2,500	2,479	2,659	2,639
Parliament .....	198	198	196	196
Total program expenditure .....	88,498	85,786	90,510	86,760
Public debt .....	25,441	25,441	22,455	22,455
<b>TOTAL EXPENDITURE (Notes 13 and 15) .....</b>	<b>113,939</b>	<b>111,227</b>	<b>112,965</b>	<b>109,215</b>
<b>DEFICIT (Note 3) .....</b>	<b>34,404</b>	<b>34,404</b>	<b>38,324</b>	<b>38,324</b>

The accompanying notes are an integral part of this statement.

Details can be found in other sections of this volume.

<sup>(1)</sup> The difference between Gross and Net is Revenue from outside parties credited to appropriations.

September 15, 1986

MICHAEL H. RAYNER, F.C.A.  
Comptroller General of Canada

STANLEY H. HARTT  
Deputy Minister of Finance

GEORGINA WYMAN  
Deputy Receiver General for Canada



## GOVERNMENT OF CANADA

**Statement of Accumulated Deficit**  
**for the Year Ended March 31, 1986**  
(in millions of dollars)

	1986	1985
Accumulated deficit, beginning of year		
As previously reported	191,448	154,531
Consolidation of certain specified purpose and other accounts and valuation of certain assets (Note 3)	7,644	6,237
Accumulated deficit, beginning of year, as restated	199,092	160,768
Deficit before change in accounting policies (as previously reported for 1985)	33,776	36,917
Net increase in deficit due to consolidation of certain specified purpose and other accounts and valuation of certain assets (Note 3)	628	1,407
Deficit (as restated for 1985)	34,404	38,324
Accumulated deficit at end of year (as restated for 1985) (Note 12)	233,496	199,092

The accompanying notes are an integral part of this statement.  
Details can be found in other sections of this volume.

September 15, 1986

MICHAEL H. RAYNER, F.C.A.  
*Comptroller General of Canada*

STANLEY H. HARTT  
*Deputy Minister of Finance*

GEORGINA WYMAN  
*Deputy Receiver General for Canada*

## GOVERNMENT OF CANADA

## Statement of Assets and Liabilities

as at March 31, 1986

(in millions of dollars)

	1986	1985	Net increase or decrease (-)
<b>FINANCIAL ASSETS</b>			
<i>LOANS, INVESTMENTS AND ADVANCES</i> , Table 8.1, Section 8—			
Crown corporations (Notes 5 and 6)—			
Lending institutions—			
Canada Deposit Insurance Corporation .....	935	40	895
Canada Mortgage and Housing Corporation .....	9,665	9,860	- 195
Export Development Corporation .....	826	890	- 64
Farm Credit Corporation .....	4,114	4,328	- 214
Federal Business Development Bank .....	438	557	- 119
	<i>15,978</i>	<i>15,675</i>	<i>303</i>
All other Crown corporations—			
Air Canada .....	525	557	- 32
Atomic Energy of Canada Limited .....	728	795	- 67
Canada Development Investment Corporation .....	396	396	
Canadian National Railways .....	2,845	2,854	- 9
Petro-Canada .....	4,299	4,299	
Other .....	1,539	1,646	- 107
	<i>10,332</i>	<i>10,547</i>	<i>- 215</i>
Less: allowance for valuation .....	3,700	3,800	- 100
Total Crown corporations .....	<i>22,610</i>	<i>22,422</i>	<i>188</i>
Other loans, investments and advances—			
Provincial and territorial governments .....	1,037	1,147	- 110
National governments including developing countries (Note 7) .....	4,529	4,387	142
International organizations (Note 7) .....	4,294	3,727	567
Less: notes payable .....	1,543	1,196	347
	<i>2,751</i>	<i>2,531</i>	<i>220</i>
Veterans' Land Act Fund advances less allowance for conditional benefits .....	161	192	- 31
Joint and mixed enterprises .....	664	571	93
Miscellaneous .....	623	766	- 143
	<i>9,765</i>	<i>9,594</i>	<i>171</i>
Less: allowance for valuation .....	6,000	5,600	400
Total other loans, investments and advances .....	<i>3,765</i>	<i>3,994</i>	<i>- 229</i>
<b>TOTAL LOANS, INVESTMENTS AND ADVANCES</b> .....	<b>26,375</b>	<b>26,416</b>	<b>- 41</b>
<i>FOREIGN EXCHANGE ACCOUNTS</i> , Table 11.1, Section 11—			
International reserves held in the Exchange Fund Account, Table 11.2, Section 11 (Note 8) .....	3,459	4,211	- 752
International Monetary Fund—Subscriptions .....	4,670	3,985	685
	<i>8,129</i>	<i>8,196</i>	<i>- 67</i>
Less: International Monetary Fund—Notes payable .....	3,913	3,276	637
Special Drawing Rights allocations .....	1,238	1,056	182
	<i>5,151</i>	<i>4,332</i>	<i>819</i>
<b>TOTAL FOREIGN EXCHANGE ACCOUNTS</b> .....	<b>2,978</b>	<b>3,864</b>	<b>- 886</b>
<b>CASH IN TRANSIT</b> , Table 13.1, Section 13 .....	<b>1,693</b>	<b>1,882</b>	<b>- 189</b>
<b>CASH</b> , Table 13.2, Section 13 .....	<b>4,744</b>	<b>5,858</b>	<b>- 1,114</b>
<b>FIXED ASSETS</b> (valued at one dollar), Section 13 .....			
NET RECORDED ASSETS .....	35,790	38,020	- 2,230
<b>ACCUMULATED DEFICIT</b> (Notes 3 and 12) .....	<b>233,496</b>	<b>199,092</b>	<b>34,404</b>
<b>TOTAL</b> .....	<b>269,286</b>	<b>237,112</b>	<b>32,174</b>

**LIABILITIES**

	1986	1985	Net increase or decrease ( - )
<b>SPECIFIED PURPOSE ACCOUNTS, Table 9.1, Section 9—</b>			
Canada Pension Plan Account (Note 10)	31,715	29,056	2,659
Less: provincial government securities held by the Canada Pension Plan Investment Fund	29,497	27,349	2,148
	2,218	1,707	511
Superannuation accounts (Note 9)	41,789	37,517	4,272
Less: unamortized portion of actuarial deficiencies	119	527	-408
	41,670	36,990	4,680
Government Annuities Account	1,060	1,095	-35
Deposit and trust accounts	1,916	1,495	421
Provincial tax collection agreements account	1,390	1,617	-227
Other	645	549	96
<b>TOTAL SPECIFIED PURPOSE ACCOUNTS</b>	<b>48,899</b>	<b>43,453</b>	<b>5,446</b>
<b>OTHER LIABILITIES, Table 10.1, Section 10—</b>			
Interest and matured debt	10,576	10,805	-229
Less: unamortized discount on Treasury bills	1,492	1,387	105
	9,084	9,418	-334
Accounts payable	5,434	6,098	-664
Outstanding cheques and warrants	2,934	3,422	-488
Allowance for employee vacation and termination benefits	2,050	2,050	
Allowance for borrowings of agent Crown corporations expected to be repaid by the Government—			
Borrowings of agent Crown corporations, Table 8.4, Section 8 (Note 16)	14,623	12,864	1,759
Less: borrowings expected to be repaid by these Crown corporations	14,623	12,810	1,813
		54	-54
Miscellaneous	191	185	6
<b>TOTAL OTHER LIABILITIES</b>	<b>19,693</b>	<b>21,227</b>	<b>-1,534</b>
<b>UNMATURED DEBT, Tables 12.1 and 12.9, Section 12 (Note 11)—</b>			
Payable in Canadian currency—			
Marketable bonds	81,067	69,256	11,811
Canada savings bonds	44,245	41,960	2,285
Special non-marketable bonds issued to the Canada Pension Plan Investment Fund	445	205	240
Treasury bills	61,950	52,300	9,650
Notes and loans	187,707	163,821	23,886
Less: Government's holdings of unmatured debt	798	446	352
	186,909	163,375	23,534
Payable in foreign currencies—			
Marketable bonds	5,890	2,117	3,773
Notes and loans	7,921	6,960	961
	13,811	9,077	4,734
Less: Government's holdings of unmatured debt	26	20	6
	13,785	9,057	4,728
<b>TOTAL UNMATURED DEBT</b>	<b>200,694</b>	<b>172,432</b>	<b>28,262</b>
<b>TOTAL (Notes 4, 6 and 17)</b>	<b>269,286</b>	<b>237,112</b>	<b>32,174</b>

The accompanying notes are an integral part of this statement.  
Details can be found in other sections of this volume.

September 15, 1986

MICHAEL H. RAYNER, F.C.A.  
Comptroller General of Canada

STANLEY H. HARTT  
Deputy Minister of Finance

GEORGINA WYMAN  
Deputy Receiver General for Canada

## GOVERNMENT OF CANADA

**Statement of Source and Disposition of Authorities  
for the Year Ended March 31, 1986**  
(in millions of dollars)

	Total authorities available for use	Used in the current year	Balances		Available for use in subsequent years	Used in the previous year
			Lapsed	Overexpended		
Agriculture—Budgetary .....	1,854	1,771	59	- 1	25	1,783
Non-budgetary .....	<b>888</b>	- <b>265</b>			<b>1,153</b>	- <b>134</b>
Communications—Budgetary .....	1,655	1,570	66	(1)	19	1,551
Non-budgetary .....	<b>93</b>				<b>93</b>	- <b>3</b>
Consumer and Corporate Affairs—Budgetary .....	557	517	40			718
Non-budgetary .....	<b>500</b>				<b>500</b>	
Economic and Regional Development—Budgetary .....	5,108	4,716	392			6
Employment and Immigration—Budgetary .....	<b>5</b>	<b>3</b>			<b>2</b>	4,994
Non-budgetary .....	3,541	2,573	928		40	<b>6</b>
Energy, Mines and Resources—Budgetary .....	<b>3,912</b>	<b>5</b>			<b>3,900</b>	4,575
Non-budgetary .....	736	701	35			<b>4</b>
Environment—Budgetary .....	2,282	2,156	114		12	754
External Affairs—Budgetary .....	<b>11,040</b>	<b>93</b>	<b>34</b>		<b>10,913</b>	2,180
Non-budgetary .....	32,260	32,165	11		84	<b>510</b>
Finance—Budgetary .....	<b>5,252</b>	<b>1,320</b>	<b>14</b>		<b>3,918</b>	28,514
Non-budgetary .....	649	635	14			<b>249</b>
Fisheries and Oceans—Budgetary .....	<b>52</b>	<b>7</b>			<b>45</b>	721
Non-budgetary .....	7	6	1			<b>118</b>
Governor General—Budgetary .....	2,435	2,376	52		7	6
Indian Affairs and Northern Development—Budgetary .....	<b>68</b>	<b>22</b>	(1)		<b>46</b>	2,251
Non-budgetary .....	307	273	34			<b>21</b>
Justice—Budgetary .....	1,718	1,618	100			257
Labour—Budgetary .....	<b>4,786</b>	<b>261</b>	<b>16</b>		<b>4,509</b>	2,107
Non-budgetary .....	9,384	9,168	216			<b>283</b>
National Defence—Budgetary .....	<b>39</b>	(1)			<b>39</b>	8,926
Non-budgetary .....	26,402	26,360	42			<b>9</b>
National Health and Welfare—Budgetary .....						24,914
Non-budgetary .....	1,152	1,116	36			<b>20</b>
National Revenue—Budgetary .....	203	201	2			1,072
Parliament—Budgetary .....	88	84	4			194
Privy Council—Budgetary .....	1,564	1,238	122		204	174
Public Works—Budgetary .....	<b>2</b>	<b>2</b>				1,353
Non-budgetary .....	2,934	2,454	382		98	<b>1,666</b>
Regional Industrial Expansion—Budgetary .....	<b>1,460</b>	- <b>36</b>			<b>1,496</b>	- <b>155</b>
Non-budgetary .....	779	744	35			792
Science and Technology—Budgetary .....	3,344	3,315	20		9	3,224
Secretary of State—Budgetary .....	1,950	1,775	175			3
Social Development—Budgetary .....	(1)	(1)			(1)	1,630
Solicitor General—Budgetary .....	703	438	16		249	(1)
Non-budgetary .....	<b>39</b>	<b>33</b>			<b>6</b>	411
Supply and Services—Budgetary .....	3,721	3,379	198		144	- <b>2</b>
Non-budgetary .....	<b>971</b>	- <b>25</b>	<b>1</b>		<b>995</b>	3,749
Transport—Budgetary .....	632	279	353			- <b>10</b>
Treasury Board—Budgetary .....	1,582	1,536	46			270
Veterans Affairs—Budgetary .....	<b>412</b>	- <b>31</b>			<b>443</b>	1,459
Non-budgetary .....						- <b>34</b>
<b>TOTAL—BUDGETARY (Notes 13 and 14) .....</b>	<b>107,547</b>	<b>103,164</b>	<b>3,493</b>	- <b>1</b>	<b>891</b>	<b>100,254</b>
<b>NON-BUDGETARY .....</b>	<b>29,519</b>	<b>1,387</b>	<b>74</b>		<b>28,058</b>	<b>882</b>

The accompanying notes are an integral part of this statement.

Details of source and disposition of authorities can be found in Volume II (Part I).

(1) Less than \$500,000.

Amounts in roman type are budgetary.

Amounts in **bold face** type are non-budgetary loans, investments and advances.

September 15, 1986

MICHAEL H. RAYNER, F.C.A.  
Comptroller General of Canada

STANLEY H. HARTT  
Deputy Minister of Finance

GEORGINA WYMAN  
Deputy Receiver General for Canada

## Notes to the Financial Statements of the Government of Canada

### 1. Significant Accounting Policies

The accounting policies of the Government of Canada are based on concepts embodied in the Constitution Acts, and in the Financial Administration Act and other legislation.

#### i. *Government of Canada as an accounting entity*

For purposes of maintaining the accounts of Canada and preparing the Public Accounts, the Government of Canada is defined as all the departments named in Schedule A of the Financial Administration Act; any division or branch of the Public Service, including a commission appointed under the Inquiries Act, designated by the Governor in Council as a department for purposes of the Financial Administration Act; the staffs of the Senate, the House of Commons, and the Library of Parliament; and, any corporation named in Schedule B of the Financial Administration Act.

In accordance with the above definition, the corporations listed in Parts I and II of Schedule C of the Financial Administration Act, and those Crown corporations that are not subject to Divisions I to IV of Part XII of the Financial Administration Act, are excluded from the Government of Canada as an accounting entity; therefore, their financial statements are not consolidated with those of the Government. However, the borrowings of those corporations which are agents of the Crown are recorded as a liability of the Government net of borrowings expected to be repaid directly by these corporations. The financial statements of Crown corporations are presented in Volume III of the Public Accounts.

In addition, certain accounts and funds have financial statements which are not consolidated with those of the Government, but appear separately in Volumes I and II (Part II). These accounts and funds include the Canada Pension Plan Account, superannuation accounts and other specified purpose accounts.

#### ii. *Classification of financial transactions*

The financial transactions of the Government, as recorded in the accounts of Canada and reported in the Public Accounts, are classified into budgetary, non-budgetary, foreign exchange and unmatured debt transactions.

In general terms, budgetary transactions enter into the calculation of the annual deficit or surplus and are reported, after elimination of transactions internal to the Government, on the Statement of Revenue and Expenditure. All other transactions lead to the acquisition or disposal of financial claims or to the creation or discharge of financial obligations, and are disclosed on the Statement of Assets and Liabilities.

For purposes of reporting, the Public Accounts uses the classification in force at the end of the year to which the report refers and amounts for the previous year are reclassified retroactively to conform to the current year's accounting policies and presentation.

#### iii. *Budgetary revenue*

Budgetary revenue consists of all tax and non-tax receipts which affect the annual deficit or surplus of the Government, and includes revenue internal to the Government.

The Government generally reports revenue in the year in which it is received, with refunds of revenue allocated to the year in which they are actually paid.

Revenue is reported after deducting refunds paid, and excludes amounts receivable, taxes collected on behalf of provinces and territories, and amounts credited to the Canada Pension Plan Account, superannuation accounts, other specified purpose accounts, and other liability accounts.

On the Statement of Revenue and Expenditure, revenue is reported both gross and net, after elimination of revenue internal to the Government. The difference between the two is revenue from outside parties credited to appropriations.

#### iv. *Budgetary expenditure*

Budgetary expenditure consists of all charges to budgetary appropriations which affect the annual deficit or surplus of the Government. In addition, budgetary expenditure may also include charges related to the provision for valuation of loans, investments and advances, allowance for borrowings of agent Crown corporations, and accounts payable and other allowances related to statutory items and certain annual appropriations. Such charges include those for work performed, goods received, services rendered, and transfer payments made, during the year and in the supplementary period including accounts payable at year end, and, expenditure internal to the Government.

Expenditure excludes amounts charged to the Canada Pension Plan Account, superannuation accounts, other specified purpose accounts, and other liability accounts.

On the Statement of Revenue and Expenditure, expenditure is reported both gross and net, after elimination of expenditure internal to the Government. The difference between the two is revenue from outside parties credited to appropriations.

#### v. *Assets*

Assets are defined as the financial claims acquired by the Government on outside organizations and individuals as a result of events and transactions recorded as at the closing date.

However, as a result of the Government's accounting policies described above, certain financial claims are not reported on the Statement of Assets and Liabilities. The most important of these are accounts receivable for tax and non-tax revenue.



vi. *Liabilities*

Liabilities are defined as the financial obligations of the Government to outside organizations and individuals as a result of events and transactions recorded as at the closing date.

However, as a result of the Government's accounting policies described above, and in accordance with enabling legislation, actuarial liabilities arising from the indexing to the cost of living, of superannuate pensions and annuities, are not reported on the Statement of Assets and Liabilities. In addition, refunds payable for tax revenue are not reported on the Statement of Assets and Liabilities.

vii. *Fixed assets*

The fixed assets of the Government, which include land, engineering structures and works (such as canals, harbours and roads), buildings, and machinery and equipment, are charged to budgetary expenditure at the time of acquisition or construction. Their existence, however, is acknowledged on the Statement of Assets and Liabilities by reporting them at the nominal value of \$1.

viii. *Valuation of assets and liabilities***ASSETS**

Assets are recorded at cost and are subject to annual valuation to reflect reductions from the recorded value to the estimated realizable value. In the case of loans to sovereign states, the recorded value is the estimated realizable value unless a sovereign state has formally repudiated its debts. In addition, the allowance for valuation reflects reductions from the recorded value of loans (and subscriptions to international organizations that make similar loans) with significant concessionary terms.

The Government's gold reserves are included in the International reserves held in the Exchange Fund Account and are recorded and valued at 35 Special Drawing Rights per fine ounce.

**LIABILITIES**

Liabilities are recorded in the amounts ultimately payable and liabilities for the superannuation accounts, with the exception of indexing, and the Government Annuities Account, are valued on an actuarial basis.

ix. *Translation of foreign currency transactions*

Foreign currency transactions are translated and recorded in Canadian currency equivalents at the exchange rates prevailing at the transaction dates.

Assets and liabilities resulting from foreign currency transactions are, in turn, reported at year-end closing rates of exchange; net gains are credited to revenue, while net losses are charged to expenditure.

**2. Authority for Transactions**

Taxes can be raised and moneys can be borrowed only with the authority of Parliament. All receipts of money by departments and agencies must be deposited into the Consolidated Revenue Fund (CRF). All disbursements from the CRF for

spending or for loans, investments and advances must be authorized by Parliament.

i. *Authority for spending on operations*

Most Government spending is under authorities that do not impose an annual limit on the amount that may be spent. Spending is authorized by reference to statutory formulae or criteria and the authorities usually continue from year to year until changed or rescinded by an act of Parliament. Other spending is under authorities that establish a dollar limit on the amount that may be spent. Usually, the balances of such authorities unspent at the end of a year lapse. Some authorities continue from year to year and some authorize the spending, within a program, of defined categories of revenue generated by the program.

ii. *Authority for loans, investments and advances*

These authorities limit the amount of loans, investments or advances that may be made. Unused authority may lapse at the end of a year or may continue from year to year. Non-lapsing authorities often limit only the total of loans that may be outstanding at any one time; thus principal repaid may be reloaned.

iii. *Borrowing authority*

The Government can borrow only as authorized by acts of Parliament. Borrowing authority acts provide authority for the net amount of new security issues less redemptions during a fiscal year. The authorities lapse at the end of the year except for amounts specifically carried forward to the next fiscal year. Parliament has also provided a continuing authority to the Government under Section 39 of the Financial Administration Act to borrow, for periods not exceeding six months, such amounts as are deemed necessary to meet lawfully authorized disbursements.

Crown corporations (corporations wholly owned by the Crown) that are agents of Her Majesty also may borrow only as authorized by acts of Parliament. Such acts usually place a ceiling on the amount of borrowing that can be outstanding at any one time. Non-agent Crown corporations can borrow without specific parliamentary authority. Non-agent borrowings are sometimes guaranteed by the Government with the authority of Parliament.

**3. Changes in Accounting Policies**

In 1986, changes have been made in the accounting policies for valuation of assets and the accounting entity. Loans with significant concessionary terms are now fully allowed for and certain specified purpose and other accounts are now consolidated in the accounting entity.

These changes have been authorized by the President of the Treasury Board and the Minister of Finance under Section 54(2)(b) of the Financial Administration Act. Such changes are applied retroactively, with restatement of the previous year's deficit and accumulated deficit, for consistency.

The effect of the changes made in 1986, on the accumulated deficit at the beginning of the year and on the deficit for the year, is as follows:

i. *Effect of changes on the accumulated deficit at the beginning of the year*

	(in millions of dollars)	
	1986	1985
Consolidation of specified purpose and other accounts <sup>(1)</sup> :		
Unemployment Insurance Account.....	5,521	4,543
Western Grain Stabilization Account.....	- 971	- 933
Crop Reinsurance Fund .....	- 72	- 150
Exchange Fund Account .....	- 34	- 224
	4,444	3,236
Provision for valuation of loans to developing countries .....	3,200	3,001
Increase in accumulated deficit at the beginning of the year due to changes in accounting policies .....	7,644	6,237

<sup>(1)</sup> Details can be found in Sections 7 and 11 of this volume.

ii. *Effect of changes on the deficit*

	(in millions of dollars)	
	1986	1985
Net increase in deficit due to transactions of consolidated specified purpose and other accounts .....	435	1,208
Net increase in deficit due to provision for valuation of loans to developing countries .....	193	199
Net increase in deficit due to changes in accounting policies .....	628	1,407

#### 4. Contingent Liabilities of the Government of Canada

A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur. The contingent liabilities of the Government consist of explicit guarantees and potential losses arising from pending and threatened litigation relating to claims and assessments in respect of breach of contract, damages to persons and property, and like items.

The contingent liabilities of the Government as at March 31, 1986 amounted to \$8,876 million and are summarized in the following table:

	(in millions of dollars)	
	1986 <sup>(1)</sup>	1985
i) Explicit guarantees by the Government		
Borrowings by other than Crown corporations .....	3,347	2,866
Insurance programs of the Government .....	1,456	1,468
Other explicit guarantees .....	223	150
ii) Pending and threatened litigation <sup>(2)</sup> .....	3,850	3,724
	8,876	8,208

<sup>(1)</sup> Details can be found in Section 13 of this volume.

<sup>(2)</sup> Includes \$2.9 billion (\$2.9 billion in 1985) related to the administration of native statutory and treaty obligations by the Department of Indian Affairs and Northern Development. This amount represents plaintiffs' claims in 50 (42 in 1985) litigation cases. There are another 75 (64 in 1985) cases and settlements of Native Land claims currently under negotiation, for which amounts are not stated in the claims, and it is not possible to determine the amounts that may be ultimately payable.

#### 5. Consolidation of Crown Corporations

In accordance with the accounting policy stated in Note 1(i), the assets, liabilities, revenues and expenditures reported

in the separate financial statements of Crown corporations named in Schedule C of the Financial Administration Act (FAA), and of Crown corporations not subject to Divisions I to IV of FAA Part XII, are not consolidated in the Government's financial statements. As a consequence, only the financial transactions between the Government and Crown corporations, are recorded in the accounts of Canada.

The following table summarizes total Government assets, liabilities, revenues and expenditures on the existing unconsolidated basis, and provides a comparison with what these totals would be if the separate financial statements of all Crown corporations were fully consolidated with the financial statements of the Government. The consolidated totals include assets, liabilities, revenues and expenditures of Crown corporations resulting from transactions with parties other than the Government. The effects of all transactions between the corporations and the Government and between the corporations themselves have been eliminated from the totals on consolidation.

The consolidated information has been prepared using the Government's modified cash basis of accounting, under which non-financial assets such as land, buildings and equipment are included in expenditure when acquired rather than reported as assets. Accordingly, non-financial corporate assets of \$25,572 million (\$26,714 million in 1985) have been included in the consolidated accumulated deficit rather than shown as assets.

For corporations with financial year ends other than March 31, unaudited information is included in the table.

	(in millions of dollars)			
	1986	1985	1986	1985
	Government as reported	Consolidated with Crown corporations <sup>(1)</sup>	Government as reported	Consolidated with Crown corporations <sup>(1)</sup>
Financial assets				
Held by ministries .....	35,790	11,550	38,020	15,631
Held by Crown corporations .....		33,076		29,714
Total financial assets .....	35,790	44,626	38,020	45,345
Liabilities				
Unmatured debt				
Of ministries .....	200,694	185,968	172,432	155,550
Of Crown corporations .....		19,337		16,564
Bank of Canada notes in circulation and amounts due to depositors .....		17,979		16,946
Other amounts owing				
By ministries .....	68,592	66,387	64,680	63,138
By Crown corporations .....		11,440		14,524
Total liabilities .....	269,286	301,111	237,112	266,722
Accumulated deficit .....	233,496	256,485	199,092	221,377
Revenues .....	79,535	100,271	74,641	94,724
Expenditures .....	113,939	135,379	112,965	134,151
Deficit for the year .....	34,404	35,108	38,324	39,427
Accumulated deficit, beginning of year .....	199,092	221,377	160,768	181,950
Accumulated deficit, end of year .....	233,496	256,485	199,092	221,377
Contingent liabilities .....	8,876	9,835	8,208	8,693

<sup>(1)</sup> Details can be found in Section 8 of this volume.

## 6. Insurance Programs

Certain Crown corporations, all of which are agents of Her Majesty, operate insurance programs. In the event that such corporations do not have sufficient funds to meet their obligations, the Government will provide the required financing through appropriations, either budgetary or non-budgetary. The Government is of the opinion that no allowance need be established in the accounts of Canada for these insurance programs.

In the case of the Canada Deposit Insurance Corporation, as described in Note 16 (ii), the Government has provided the required financing through non-budgetary appropriations.

In the case of the Mortgage Insurance Fund (MIF), the Canada Mortgage and Housing Corporation estimates that the deficit calculated on an actuarial basis as at March 31, 1986, was \$472 million after forgiveness of current and prior year advances from the Government of \$556 million. While the MIF is designed to be self-sufficient over the long run, it has experienced cash deficiencies. Since August 1984, the Government has provided interest-free advances to the MIF, through budgetary appropriations.

The following table summarizes information regarding such insurance programs. The information has not been audited because the corporations have financial year ends other than March 31, 1986.

Programs	(in millions of dollars)			
	Insurance in force	Net claims*	5 year average of net claims	Amount of fund or provision (-deficit)
Canada Deposit Insurance Corporation				
Current year .....	183,719	854	229	- 1,259
Previous year .....	173,605	268	54	- 872
Canada Mortgage and Housing Corporation				
Mortgage insurance fund				
Current year .....	38,413	170	77	- 472
Previous year .....	36,300	236	47	- 640
Home improvement loan insurance fund				
Current year .....	1	(1)	(1)	1
Previous year .....	2	(1)	(1)	8
Rental guarantee fund				
Current year .....				11
Previous year .....				27
Export Development Corporation				
Export insurance contracts entered into on its own behalf				
Current year .....	2,519	3	6	32
Previous year .....	2,309	4	7	24

Financial statements of these corporations are reproduced in Volume III of the Public Accounts.

\* Refers to the difference between claims and amounts received from sales of related assets and other recoveries.

(1) Less than \$500,000.

## 7. International Development Assistance—Loans and Subscriptions

### i. Loans to developing countries

Included in loans to National governments of \$4,529 million (\$4,387 million in 1985) are loans to developing

countries of \$3,258 million (\$3,080 million in 1985). These loans are part of Canada's international development assistance program and are either interest-free or bear interest at rates that were more favourable than those prevailing in Canada at the time the assistance was provided. The balances outstanding at March 31, grouped by term, are:

Term	Grace period before repayment commences	Interest rate	(in millions of dollars)	
			1986	1985
17 years	7 years	*	1	1
20 years	5 years	5%	34	35
25 years	5 years	6%	1	1
30 years	7 years	3%	185	189
35 years	5 years	*	3	3
40 years	10 years	*	1	1
50 years	10 years	*	2,979	2,805
53 years <sup>(1)</sup>	13 years	*	46	41
55 years <sup>(1)</sup>	15 years	*	8	4
			3,258	3,080

\* Interest-free.

(1) Rescheduled loans.

These loans, by their terms, confer financial benefits on the recipients and have been fully provided for in the Allowance for valuation. Details can be found in Section 8 of this volume.

### ii. Subscriptions and loans to international organizations

Included in Loans, investments and advances—International organizations of \$4,294 million (\$3,727 million in 1985) are subscriptions to the capital of the International Development Association and loans to other international financial institutions of \$3,592 million (\$3,086 million in 1985) which are also part of Canada's development assistance program. These institutions make loans to developing countries on terms similar to those described in sub-section i. Subscriptions to international organizations do not provide a return on investment but are repayable on termination of the organization or on withdrawal therefrom. Details can be found in Section 8 of this volume.

Loans, investments and advances—International organizations are presented net after deduction of notes payable of \$1,543 million (\$1,196 million in 1985), including \$1,460 million (\$1,129 million in 1985) of notes payable to the aforementioned Association and institutions. The notes are non-interest bearing, are non-negotiable, but are payable on demand, although they are normally encashed over periods of up to seven years, according to the financial requirements of the institutions.

Included in the Allowance for valuation is an amount of \$2,132 million (\$1,957 million in 1985) equal to the net position of the Government vis-à-vis these institutions.

## 8. Gold

Included in International reserves held in the Exchange Fund Account of \$3,459 million (\$4,211 million in 1985) are Canada's gold holdings of 20.106 million fine ounces with a



recorded value of \$1,118 million (20,137 million fine ounces with a recorded value of \$953 million in 1985).

Gold is valued at the Canadian dollar equivalent of 35 Special Drawing Rights (SDRs) per fine ounce, which approximates its cost in foreign currency terms. At March 31, 1986, the Canadian dollar equivalent of 35 SDRs was \$55.61 per fine ounce (\$47.31 per fine ounce in 1985). The SDR is a unit of account used by the International Monetary Fund and is valued in terms of a "basket" of five major currencies.

Alternative bases of valuation could be used to value gold. On a market value basis (\$480.16 per fine ounce in 1986, \$448.97 in 1985), the recorded value would have been \$9,654 million (\$9,041 million in 1985). On the basis of estimated average cost in Canadian dollars at historical rates of exchange (\$36.91 per fine ounce in both 1986 and 1985), the recorded value would have been \$742 million (\$743 million in 1985). Further details can be found in the financial statements of the Exchange Fund Account, included in Section 11 of this volume.

## 9. Superannuation Accounts

The Government provides pensions for its employees, principally members of the Public Service, the Canadian Forces, and the Royal Canadian Mounted Police (RCMP). Basic pensions are provided for these employees under authority of the Public Service Superannuation Act, the Canadian Forces Superannuation Act and the RCMP Superannuation Act, respectively. The basic pensions are indexed to the cost of living under authority of the Supplementary Retirement Benefits Act.

The Public Service Superannuation Act also covers the employees of certain Crown corporations. Employees of these participating Crown corporations make contributions on the same basis as Government employees, and the corporations contribute an equal amount.

The superannuation accounts shown on the Statement of Assets and Liabilities include liabilities for basic pensions and for indexing. Liabilities for basic pensions are determined on an actuarial basis and liabilities for indexing are not. The Government has estimated that if the liabilities for all superannuation accounts were determined on an actuarial basis, the reported liabilities and accumulated deficit would increase by \$4.5 billion as at March 31, 1986 (\$4.7 billion as at March 31, 1985).

This estimate incorporates, initially, the effects of current high rates of interest on the notional investments of the Accounts and other current economic conditions. These economic assumptions are blended gradually into long term actuarial assumptions which, from 1994, are assumed to be an interest rate on new investments of 6%, wage increases of 5% and an inflation rate of 3.5%.

## 10. Canada Pension Plan

Under existing legislation, benefits and costs incurred in the administration of the Canada Pension Plan are financed from contributions from employees, employers and self-employed persons, and from interest from the investment of contributions not immediately needed for benefits and costs. Although the Canada Pension Plan was established under federal legislation, its administration is under the joint control of the Government and the provinces. Any province or group of provinces having  $\frac{1}{2}$  of the population of Canada can veto any amendment to the Canada Pension Plan that affects the level of contributions or benefits. The Government's authority to pay benefits under the Plan is limited to the balance in the Canada Pension Plan Account which was \$31,715 million at March 31, 1986. Therefore, in accordance with the accounting policies of the Government, the revenues and expenditures of the Plan have not been reported with those of the Government.

In 1986, revenues of the Canada Pension Plan Account were \$7.6 billion (\$6.8 billion in 1985) and expenditures were \$5 billion (\$4.3 billion in 1985). The balance of the Canada Pension Plan Account is \$31.7 billion at March 31, 1986 (\$29.1 billion at March 31, 1985). Funds in excess of estimated current operating requirements (\$29.9 billion at March 31, 1986; \$27.6 billion at March 31, 1985) are available for investments in securities of the provinces and of the Government, on the basis of contributions from the jurisdiction to total contributions to the Account.

Contributions to the Canada Pension Plan Account are not established on a basis that provides for the full actuarial costs of benefits. If the Plan were financed on an actuarial basis, the Chief Actuary of the Department of Insurance estimates that the contribution rate would have to be increased from 3.6% to 7.9% and that an additional amount of \$231 billion would have been required at December 31, 1985, to pay future benefits of all contributors and pensioners in the Plan at that time. The actuarial assumptions used in making this estimate include an interest rate of 6.5%, an inflation rate of 3.5% and an annual increase in average earnings of 5%.

During the year, agreement was struck on new financing arrangements for the Canada Pension Plan, and federal legislation was passed in June, 1986. A long term funding objective of approximately two years of benefits has been set. This objective will be achieved by establishing a 25 year schedule of contribution rates. The first 5 years require an annual .2 percentage points shared increase to the current combined employer-employee contribution rate of 3.6% of contributory earnings. Contribution rates for the 20 subsequent years involve shared increases of .15 percentage points and are subject to quinquennial federal-provincial reviews. Contribution increases will begin in 1987, subject to provincial ratification. The financial statements of the Account are reproduced in Section 9 of this volume.

## 11. Maturity of Government Debt

The following table presents total unmaturing debt arranged in order of maturity:

	(in millions of dollars)				
	Market- able bonds <sup>(1)</sup>	Canada savings bonds <sup>(1)</sup>	Treasury bills	Notes and loans	Total
1987.....	4,863	2,310	61,950	2,519	71,642
1988.....	8,721	1,299		1,331	11,351
1989.....	3,328	7,242		882	11,452
1990.....	7,322	6,123		1,156	14,601
1991.....	6,055	6,563		143	12,761
1992/96.....	27,349	20,707		1,615	49,671
1997/2001.....	5,343			275	5,618
2002/06.....	17,776				17,776
2007/10.....	6,200				6,200
	86,957	44,244	61,950	7,921	201,072
Less: Government's own holdings	198	180			378
	86,759	44,064	61,950	7,921	200,694

Details can be found in Section 12 of this volume.

<sup>(1)</sup> It should be noted that all Canada savings bonds are redeemable on demand regardless of maturity date and that \$2,425 million of marketable bonds reported as maturing in 1987 and 1988 are exchangeable at the option of the holder for bonds maturing in 1992/94.

## 12. Accumulated Deficit

In accordance with its stated accounting policies, revenues and expenditures of certain specified purpose accounts are included in the revenue and expenditure of the Government. However, enabling legislation requires that such revenues be earmarked and that related payments be charged against such revenue. Any deficiency of payments over revenue must, in accordance with enabling legislation, be met through future revenue of these specified purpose accounts. The table below presents the balances of these accounts as at March 31, 1986 included in the accumulated deficit as follows:

	(in millions of dollars)	
	1986	1985
Accumulated deficit excluding consolidated specified purpose accounts.....	232,698	197,945
Unemployment Insurance Account.....	4,335	5,077
Canadian Ownership Account.....	- 3,560	- 3,331
Western Grain Stabilization Account.....	- 607	- 971
Crop Reinsurance Fund.....	- 120	- 170
Accrued expenditure of the Crop Reinsurance Fund.....	287	98
Accrued expenditure of the Unemployment Insurance Account.....	463	444
	798	1,147
Accumulated deficit as per Statement of Assets and Liabilities.....	233,496	199,092

## 13. Statement of Source and Disposition of Authorities

Total net expenditure by envelope of \$111,227 million (\$109,215 million in 1985) reported on the Statement of Revenue and Expenditure differs from the total use of budgetary appropriations of \$103,164 million (\$100,254 million in 1985) reported on the Statement of Source and Disposition of Authorities. The difference represents transactions of certain specified purpose accounts, the provision for valuation which is not applied to each appropriation and budgetary transactions internal to the Government as follows:

	(in millions of dollars)	
	1986	1985
Total net expenditure by envelope.....	111,227	109,215
Add: transactions internal to the Government—		
Contribution to the Unemployment Insurance Account.....	2,989	3,012
Internal revenue eliminated.....	116	210
Contribution to the Western Grain Stabilization Account.....	85	117
Interest credited to the Western Grain Stabilization Account.....	48	93
Interest credited to the Unemployment Insurance Account.....	3	
	3,241	3,432
Less:		
Unemployment insurance benefits.....	9,834	9,890
Administration expenses of the Unemployment Insurance Account.....	904	911
Western Grain Stabilization Account payments.....	526	223
Oil Export Charges Revenue Sharing Account payments.....	142	269
Crop Reinsurance Fund payments.....	98	
Provision for valuation.....	- 200	1,100
	11,304	12,393
Used in the current and previous years per Statement of Source and Disposition of Authorities (budgetary).....	103,164	100,254

## 14. Presentation of Expenditure by Standard Object

Total net expenditure per the Statement of Source and Disposition of Authorities of \$103,164 million (\$100,254 million in 1985) is reported by standard object in the following table:

	(in millions of dollars)	
	1986	1985
(1) Personnel.....	13,330	12,908
(2) Transportation and communications.....	1,580	1,519
(3) Information.....	316	359
(4) Professional and special services.....	2,766	2,700
(5) Rentals.....	882	846
(6) Purchased repair and maintenance.....	1,141	1,101
(7) Utilities, materials and supplies.....	2,244	2,245
(8) Construction and acquisition of land, buildings and works.....	1,587	1,639
(9) Construction and/or acquisition of machinery and equipment.....	2,885	3,318
(10) Transfer payments.....	47,115	49,030
(11) Public debt charges.....	25,505	22,551
(12) All other expenditure.....	9,837	9,010
(1)-(12) Total gross expenditure.....	109,188	107,226
(13) Less: revenue credited to the votes.....	6,024	6,972
Total net expenditure.....	103,164	100,254

## 15. Child Tax Credit

Entitlements to the child tax credit are claimed on personal income tax returns. Claims are settled either by reducing the tax liability for the year or, if no liability exists, by issuing a "refund" cheque. In either case, personal income tax revenues are reduced, even where no tax had been paid. Had these tax reductions and direct payments been reported as expenditures, gross total expenditure and revenue would have increased respectively by \$1,499 million (\$1,609 million in 1985).



## 16. Borrowings of Agent Crown Corporations

Included in Borrowings of agent Crown corporations of \$14.6 billion (\$12.9 billion in 1985) are the borrowings of the Canadian Wheat Board (CWB) of \$4.1 billion (\$4 billion in 1985) and the borrowings of the Canada Deposit Insurance Corporation (CDIC) of \$1 billion (\$1 billion in 1985).

### i. Canadian Wheat Board (CWB)

The borrowings of the CWB have been incurred to finance credit grain sales to various countries. Terms of the credit grain sales call for payment in full within 36 months or less from time of shipment. However, certain countries are experiencing difficulties in servicing their international financial obligations, of which approximately \$3 billion including accrued interest, are owing to CWB. Of this amount, approximately \$2.2 billion was in arrears as at March 31, 1986.

It should be noted that, for such loans to sovereign borrowers, payment delays are not necessarily indicative of a future loss requiring an allowance. Sovereign entities and their international financial obligations do not have commercial mortality and the international system provides several mechanisms and institutions through which countries facing repayment difficulties can effect remedial measures in agreement with their creditors. The Government and CWB are presently in the process of negotiating the rescheduling of those sovereign obligations that are in arrears, together with accrued interest thereon. The Government is of the opinion that these negotiations will result in no significant loss on CWB's related assets.

Therefore, the Government, as guarantor of CWB's borrowings to finance credit grain sales, has made no valuation allowance in the accounts of Canada.

### ii. Canada Deposit Insurance Corporation (CDIC)

The borrowings of CDIC have been incurred to finance a deficit, at March 31, 1986, of \$1,259 million as a result of a provision for actual and expected losses due to insolvent member institutions. CDIC provides depositors with insurance of up to \$60,000 per depositor per member institution on Canadian deposits with a term not exceeding 5 years, for which the member institutions pay insurance premiums.

In accordance with the CDIC Act, CDIC is authorized to borrow up to \$1.5 billion from the Government against which it had borrowed \$935 million as at

March 31, 1986. These borrowings bear interest at current rates to Crown corporations and are fully repayable to the Government. During 1986, the Government amended the CDIC Act to increase premiums for one year and is continuing to explore alternatives to allow CDIC, in the long run, to repay its borrowings and eliminate its deficit without Government support. The Government is of the opinion that no allowance need be established in the accounts of Canada.

## 17. Commitments under Capital Lease Arrangements

Major capital assets of the Government are either purchased outright or leased. Where a lease transfers substantially all of the benefits and risks incidental to ownership of the property to the lessee, it is considered a capital lease. The Government has entered into capital leases with outside parties for buildings and equipment.

In accordance with the accounting policies of the Government, lease payments under capital leases are charged to budgetary expenditure in the year of payment. Such payments are authorized annually by Parliament. The Government's total remaining commitments under capital lease arrangements, in excess of \$100 thousand each (\$1 million each in 1985), entered into as at March 31, 1986, amounted to \$1,613 million (\$1,635 million in 1985). Included in this amount is \$1,147 million (\$1,175 million in 1985) in imputed interest and \$4 million (\$5 million in 1985) in executory costs. The resulting net commitments of \$462 million (\$455 million in 1985) represent the value of the capital assets leased and the principal amount of the liability therefore, which, in accordance with the significant accounting policies of the Government, is not reflected as an asset and liability on the Government's Statement of Assets and Liabilities.

	(in millions of dollars)	
	1986	1985 <sup>(1)</sup>
Scheduled minimum lease payments to be made in:		
1987 .....	59	55
1988 .....	59	55
1989 .....	59	55
1990 .....	58	55
1991 .....	69	55
1992/96 .....	251	267
1997/2001 .....	251	248
2002/06 .....	251	248
2007/11 .....	261	247
2012/16 .....	192	229
2017/21 .....	103	121
Total commitments under capital lease arrangements (minimum lease payments) .....	1,613	1,635
Less: imputed interest .....	1,147	1,175
executory costs .....	4	5
Net commitments under capital lease arrangements .....	462	455

Details can be found in Section 13 of this volume.

<sup>(1)</sup> Figures for 1985 are for one year increments from 1986 to 1990 and for increments of 5 years for 1991 to 2020.



## **OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA**

I have examined the statement of assets and liabilities of the Government of Canada as at March 31, 1986 and the statements of revenue and expenditure, transactions, accumulated deficit and source and disposition of authorities for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary to enable me to report as required by Section 6 of the Auditor General Act.

In my opinion, these financial statements present information in accordance with the stated accounting policies of the Government of Canada as set out in Note 1 to the financial statements applied, after giving retroactive effect to the changes in accounting policies described in Note 3, on a basis consistent with that of the preceding year. However, in my opinion, because of the stated accounting policies that I consider inappropriate as outlined in Reservations 1, 2 and 3, the accompanying financial statements do not present fairly the financial position of the Government as at March 31, 1986 and the results of its operations and its financial requirements for the year then ended.

### **Reservation 1: Failure to Provide for Crown Corporation Borrowings**

The Government's accounting policy stated in Note 1 (i) requires that borrowings of agent Crown corporations be recorded as a liability of the Government, net of borrowings expected to be repaid directly by those corporations. The purpose of this policy is to recognize an allowance for corporate borrowings expected to be repaid by the Government. As described in Note 16 (i) the Canadian Wheat Board, an agent Crown corporation, has incurred \$4.1 billion in borrowings to finance credit grain sales. Of this amount, \$3.0 billion relates to receivables from countries experiencing difficulties in servicing their debts, including \$900 million of accrued and unpaid interest on receivables arising from sales in the period 1978-1983. The Government has not provided for any portion of the Board's borrowings because, in accordance with the accounting policy stated in Note 1 (viii), amounts receivable from sovereign states are not reduced in value unless the states formally repudiate their debts. In my view, sound accounting practice would require that the allowance for borrowings of agent Crown corporations be increased by at least the portion of the Board's borrowings used to finance accrued interest. If this had been done, reported liabilities and accumulated deficit would be increased by at least \$900 million, and the deficit for the year would be increased by at least \$200 million.

### **Reservation 2: Failure to Consolidate Crown Corporations**

The assets, liabilities, revenues and expenditures reported in the separate financial statements of Crown corporations are excluded from the Financial Statements of the Government of Canada as described in Note 1 (i). As a result, I believe that the accompanying financial statements do not provide a comprehensive and complete summary of the full nature and

extent of the financial affairs and resources for which the Government is responsible. For example, the significant losses incurred by the Canada Deposit Insurance Corporation and Petro-Canada are not included in the Government's reported results of operations.

One method of broadening the Government's reporting entity to include all Crown corporations is illustrated in Note 5. Under this approach, which uses the Government's modified cash basis of accounting, physical assets and revenue accruals of Crown corporations are eliminated from the table. Such amounts are not required to be recorded and reported by the Government under the accounting policies described in Note 1. The Government and the Canadian Institute of Chartered Accountants are conducting studies to determine the extent to which and how the separate financial statements of Crown corporations should be consolidated with those of the Government, and the alternative presentation that would be appropriate for any not consolidated. Until these studies are complete, I am unable to determine the effect of this matter on the Government's financial statements.

### **Reservation 3: Unrecorded Liabilities**

In accordance with the accounting policy stated in Note 1 (vi), financial obligations in respect of indexing employee pensions are not fully recorded in the accompanying financial statements. I believe that additional financial obligations for indexing should be recorded in the financial statements to provide a more complete presentation of liabilities. As disclosed in Note 9, if the full amount of such obligations had been recorded, reported liabilities and accumulated deficit would be increased by approximately \$4.5 billion (\$4.7 billion in 1985 using the same methods and assumptions) and the deficit for the year would be decreased by \$200 million.

Further, as disclosed in Note 6, the Government has not provided for the deficit in the Mortgage Insurance Fund. If provision had been made for this deficit, reported liabilities and accumulated deficit would be increased by \$472 million (\$640 million in 1985) and the deficit for the year would be decreased by \$168 million (increased by \$414 million in 1985).

Additional information and comments on the financial statements and this opinion are included in my observations in Section 3 of this volume.

Ottawa, Canada  
September 15, 1986

KENNETH M. DYE, F.C.A.  
*Auditor General of Canada*



# SECTION 3

1985-86  
PUBLIC ACCOUNTS

## Observations by the Auditor General on the Financial Statements of the Government of Canada

### CONTENTS

	<i>Page</i>
Introduction .....	3.2
Reservation 1: Failure to provide for Crown corporation borrowings .....	3.2
Reservation 2: Failure to consolidate Crown corporations .....	3.4
Reservation 3: Unrecorded liabilities .....	3.5
Reporting of summary financial information .....	3.6



## Observations by the Auditor General on the Financial Statements of the Government of Canada

### Introduction

I have examined the financial statements of the Government of Canada for the year ended March 31, 1986 which, together with my Opinion, are included in Section 2 of this volume. These financial statements are the Statement of Assets and Liabilities, the Statement of Revenue and Expenditure, the Statement of Transactions, the Statement of Accumulated Deficit, and the Statement of Source and Disposition of Authorities.

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary to enable me to report as required by Section 6 of the Auditor General Act. This section provides that:

“The Auditor General shall examine the several financial statements required by section 55 of the Financial Administration Act to be included in the Public Accounts, and any other statement that the President of the Treasury Board or the Minister of Finance may present for audit and shall express his opinion as to whether they present *fairly* information in accordance with stated accounting policies of the federal government and on a basis consistent with that of the preceding year together with any reservations he may have.” (italics added)

The word *fairly* is used to express the auditor's judgment as to the appropriateness of the selection and application of accounting principles to the particular circumstances of an enterprise. Because of the significant and pervasive effect on the financial statements of the matters reported in my Reservations, I have concluded that:

“... the accompanying financial statements do not present *fairly* the financial position of the Government as at March 31, 1986 and the results of its operations and its financial requirements for the year then ended.” (italics added)

My Opinion includes three Reservations concerning the appropriateness of the Government's stated accounting policies. The first Reservation is new and concerns a failure by the Government to provide for Crown corporation borrowings. The second and third Reservations address those issues reported last year that have not been resolved by the accounting policy changes discussed below.

The accounting policy changes described in Note 3 were introduced in the February 1986 Budget of the Minister of Finance and represent a significant improvement in the Government's financial reporting practices. The changes have resulted in special assistance loans to developing countries being provided for in full and consolidation with the Government's financial statements of the Unemployment Insurance Account, the Western Grain Stabilization Account, the Crop Reinsurance Fund and the Exchange Fund Account. The provision for special assistance loans has allowed me to delete last year's Reservation entitled “Assets Reported at Amounts in Excess of Their Value” (Reservation 2 in 1985). The consolidation of the separate accounts and funds has eliminated the need for that part of last year's Reservation on fragmented reporting entitled “Excluded departmental activities” (Reservation 1(i) in 1985).

The Observations that follow provide additional explanatory information on the three Reservations in my 1986 Opinion, and comment on the reporting of summary financial information by the Government.

### Reservation 1: Failure to Provide for Crown Corporation Borrowings

The Government's accounting policy stated in Note 1(i) requires that the borrowings of agent Crown corporations be recorded as a liability of the Government, net of borrowings expected to be repaid directly by those corporations. The policy requires an evaluation by the Government of the ability of its agent corporations to discharge their borrowings and, where it appears that corporate assets will be insufficient for that purpose, for the Government to

provide an allowance in the amount of the deficiency. The allowance is reported by the Government as a liability, with any increase during the year included in the deficit.

At March 31, 1986, no allowance has been provided by the Government in respect of borrowings by the Canadian Wheat Board (CWB), even though the Board is having difficulty recovering certain accounts receivable that the borrowings have financed. The Government has not provided for any portion of CWB's borrowings because, in accordance with the accounting policy stated in Note 1 (viii), amounts receivable from sovereign states are not reduced in value unless the states formally repudiate their debts. I believe that an allowance should have been provided by the Government of at least \$900 million, and that failure to do so has resulted in a significant understatement of the Government's reported liabilities, accumulated deficit and the deficit for the year.

CWB buys grain from Canadian farmers, and sells it on the world market. Under the Canadian Wheat Board Act, any profit on operations is distributed to the farmers, with any loss being absorbed by the Government. The terms of sales generally specify cash on delivery. However, sales on credit are also made, but only with the concurrence of and within guidelines established by the Government. Accounts receivable from credit sales are financed by bank borrowing that is guaranteed by the Government.

At March 31, 1986, CWB had accounts receivable arising from credit grain sales to various countries of approximately \$3.6 billion, of which \$3.0 billion was from countries experiencing difficulties in servicing their debts. Included in the \$3.0 billion figure are receivables in arrears of approximately \$2.2 billion arising from sales in the period 1978-1983, of which \$900 million represents accrued and unpaid interest. Of the \$2.2 billion, approximately \$150 million has been rescheduled because of difficulties experienced by certain countries in servicing their debts. These difficulties continue and further debt reschedulings are expected. Subsequent to March 31, payments on account of the receivables in arrears amounted to only \$40 million.

The receivables from countries experiencing difficulties have not been written down to a lower value in CWB's financial statements and interest on these receivables is still being accrued in the accounts. The reason given in the financial statements is that the Board is not at risk should any of its receivables prove uncollectable because the borrowings used to finance them are guaranteed by the Government.

If CWB's borrowings were not guaranteed by the Government, I believe that sound accounting practices would require the Board to cease accruing interest on its receivables in arrears and to write them down to a lower value. This would be consistent with the spirit of the Inspector General of Banks' rules for valuing loans by commercial banks to sovereign nations that are experiencing difficulties in servicing their debts. These rules require that loans become "non-accrual": after 90 days if there is significant doubt as to collectibility of principal and interest; or after 180 days of interest being in arrears; or if management believes a loss will occur. Once a loan becomes "non-accrual", all accrued interest is generally written off, with subsequent recoveries used to reduce the principal balance. A valuation reserve would also be required to reduce the reported value of the principal for loans to certain countries. If these criteria were applied to CWB's receivables, a significant reduction in the reported value of the receivables, would likely be required.

As explained in Note 16(i) to the financial statements, the Government believes that payment delays on amounts receivable from sovereign nations are not *necessarily* indicative of a future loss requiring an allowance. (*italics added*) However, in the case of CWB, it seems very clear to me that the receivables in arrears arising from sales in the period 1978-1983 do not have sufficient value to fully discharge related borrowings. By failing to provide an allowance in respect of the Board's borrowings of at least the amount of accrued interest on

these receivables, I believe that the Government is understating its reported liabilities and accumulated deficit by at least \$900 million and its deficit for the year by at least \$200 million. I would urge the Government to revise its position on this matter and establish an appropriate allowance for borrowings of the Canadian Wheat Board at the earliest possible date.

### **Reservation 2: Failure to Consolidate Crown Corporations**

The assets, liabilities, revenues and expenditures reported in the separate financial statements of Crown corporations are excluded from the financial statements of the Government of Canada as described in Note 1(i). As a result, I believe that the Government's financial statements do not provide a comprehensive and complete summary of the full nature and extent of the financial affairs and resources for which the Government is responsible. At March 31, 1986, the net investments in Crown corporations whose financial statements are not consolidated with those of the Government amounted to approximately \$23 billion, or 64 per cent of the Government's net recorded assets.

One method of broadening the Government's reporting entity to include all Crown corporations is illustrated in Note 5 to the financial statements. Under this approach, which uses the Government's modified cash basis of accounting, physical assets and revenue accruals of Crown corporations are excluded from the table. Such amounts are not required to be recorded and reported by the Government under the accounting policies described in Note 1.

The Government is studying the extent to which and how the separate financial statements of Crown corporations should be consolidated with those of the Government, and the alternative presentation that would be appropriate for any not consolidated. The Canadian Institute of Chartered Accountants' Public Sector Accounting and Auditing Committee (PSAAC) is also studying this issue. Until these studies are complete, I am unable to determine the effect on the Government's financial statements of the failure to consolidate Crown corporations.

However, the exclusion of corporate activities from the Government's statements can have a significant effect on reported financial position and results of operations. Consider the Canada Deposit Insurance Corporation, whose financial affairs are summarized in Note 16, and Petro-Canada, whose financial statements are included in Volume III of the Public Accounts. At March 31, 1986, the Canada Deposit Insurance Corporation had a deficit of \$1,259 million, of which \$387 million represented a loss during the year. At December 31, 1985, Petro-Canada reported a net loss for the year of \$769 million after reducing the carrying value of certain resource properties and related assets by \$865 million net of income taxes.

Until such time as the Government's financial statements are broadened to include Crown corporations on some appropriate basis, they will continue to provide only a partial, and in my view misleading, picture of the Government's overall financial position, results of operations and financial requirements. I would encourage Government officials to complete their study and adjust the financial statements on a priority basis.

### ***A related concern – Expenditures offset against revenues***

Last year, I called attention to the Government's practice of reporting payments under the Child Tax Credit program as a reduction in personal income tax revenue rather than as a program expenditure. This practice continues. In Note 15, the Government has disclosed what the effect on reported revenue and expenditure would be if payments under the program were charged to expenditure of the Social Affairs envelope, as I believe they should have been. I have not included this matter in my Reservations because it has no effect on the reported deficit for the year.

**Reservation 3: Unrecorded Liabilities**

*Indexing of employee pensions*

The Government has defined liabilities as financial obligations to outside organizations and individuals as a result of events and transactions recorded as at the closing date. However, in accordance with the accounting policy stated in Note 1(vi) and as described in Note 9, financial obligations amounting to approximately \$4.5 billion related to indexing provisions of employee pension plans (including the Public Service, the Canadian Forces and the Royal Canadian Mounted Police) have not been recorded.

Although Note 9 is informative, until the Government appropriately adjusts the financial statements to reflect an additional liability for indexing, the burden is on the reader to do so. I consider this both unfair and undesirable. A reader unfamiliar with financial statements may get quite a different picture than a reader with more experience in this area.

The unrecorded liability for indexing was estimated by the Government at \$15.8 billion at March 31, 1985, some \$11.3 billion higher than the \$4.5 billion estimate at March 31, 1986. The significant decline results from a change in the method of estimation and assumptions used, and not from a change in employee pension entitlements. The new method assumes higher real rates of interest in the next few years, taking into account the high interest rates that the Government is committed to use in crediting amounts to the superannuation accounts and the Government's expectation of continuing low inflation. I have engaged independent actuaries to study the Government's new method of estimation and assumptions. They have advised me that for accounting purposes, the method is acceptable and the assumptions are within the range of acceptability.

The Government has also calculated that the unrecorded liability for indexing would have amounted to \$4.7 billion at March 31, 1985 had the new basis of estimation been used at that time. Accordingly, if indexing had been provided for in the accounts on a consistent basis, the deficit for the year would have decreased by \$200 million.

Government officials have advised me that they are continuing to review the financing, accounting and funding of employee pension plans in anticipation of legislative changes.

*Deficit of Mortgage Insurance Fund*

The Mortgage Insurance Fund (MIF) is administered by the Canada Mortgage and Housing Corporation (CMHC), an agent Crown corporation, on behalf of the Government. The Fund was created to facilitate an adequate supply of mortgage funds by reducing the risk to lenders and encouraging the secondary market trading of mortgages. If assets of the Fund are not sufficient to meet claims against it, the Government advances money to CMHC to permit the Corporation to discharge its obligations on behalf of the Fund.

The MIF has reported deficits over the past several years. After giving retroactive effect to forgiveness by the Government of loans made to the Fund in the current and prior years, the deficits as adjusted at March 31 are as summarized below.

	(\$ millions)		
	1986	1985	1984
Deficit as reported by the Fund .....	472	812	534
Government loan forgiveness included in deficit .....	76		
Government loans forgiven .....	(76)	(172)	(308)
Deficit as adjusted .....	472	640	226



As explained in Note 6 to the financial statements, the Government believes that no allowance need be established in the accounts of Canada for the deficit of the Fund. I disagree. In my judgement, the deficits (as adjusted in the above table) are actual liabilities of the Government that should be recorded in the accounts and included in the financial statements because:

- they represent a qualified actuary's best estimate of amounts payable in the future in respect of losses incurred from insurance in force; and
- funds are unlikely to be available in the future from other than the Government to cover these losses.

If an allowance had been established in the accounts of Canada for the deficit of the Mortgage Insurance Fund, as I believe it should have been, reported liabilities and the accumulated deficit would have increased by \$472 million (\$640 million in 1985) and the deficit for the year would have decreased by \$168 million (increased by \$414 million in 1985).

### **Reporting of Summary Financial Information**

In my judgement, the opportunity has never been better for significant improvements in financial reporting in the Canadian public sector.

- The accounting profession is addressing contentious issues in public sector accounting and reporting and is achieving consensus in resolving them with those who use, prepare and audit government financial statements.
- Governments are revising their financial statements to provide users with more of the information they need.
- A major research project on financial reporting by federal governments has been completed and published by my Office and the United States General Accounting Office.

Each of these initiatives provides both an opportunity and a challenge for bringing about significant reforms in financial reporting by Canadian governments.

### ***The accounting profession is making progress***

The Public Sector Accounting and Auditing Committee (PSAAC) of the Canadian Institute of Chartered Accountants has completed the second of three projects designed to establish a framework for generally accepted accounting principles and financial reporting standards appropriate for governments.

The first project was completed in 1984 and identifies five objectives of government financial statements. The second recommends general reporting principles and standards for the disclosure of information in government financial statements. The third has begun to address the principles and criteria for defining the government financial reporting entity and the related questions of consolidation and accounting for long-term investments. A fourth project dealing with accounting for employee pensions by government will soon begin.

In addition, PSAAC plans to conduct a research study on the recording and reporting of physical assets. Clearly, the development of generally accepted accounting principles (GAAP) for Canadian governments is well under way. The challenge now is for governments and their auditors to continue working together with PSAAC to ensure that government GAAP is developed and implemented at the earliest possible date.

### ***The Government of Canada is making progress***

In the past three years, the Government of Canada has made a number of improvements to the financial statements in Section 2 of Volume I of the Public Accounts of Canada. In 1984, a valuation allowance was provided against some of the international development assistance



assets that were overstated, and significant liabilities for statutory programs were provided for in the accounts. In addition, note disclosure of unrecorded employee pension liabilities and of excluded departmental and Crown corporation activities was expanded.

In 1985, the Government consolidated transactions in the Canadian Ownership Account with its financial statements and simplified the Statement of Revenue and Expenditure by providing a functional display of expenditure by envelope and reducing the categories of reported revenue. In addition, note disclosure was provided of what the main financial statement totals would look like if Crown corporations were fully consolidated on the Government's existing accounting basis, and notes were added on capital lease commitments and significant uncertainties relating to the Canadian Wheat Board and the Canada Deposit Insurance Corporation.

In 1986, departmental activities that were previously excluded from the Government's financial statements have been consolidated with them, the effect of transactions between departments has been eliminated from the accounts, and a valuation allowance has been provided against the remaining international development assistance assets that were overstated.

These changes are consistent with the PSAAC pronouncements that have been issued to date, and have resulted in more of the financial information about the Government that people need being provided. The challenge now is for the Government to make such further changes as are necessary to enable an audit opinion without reservation to be expressed on the financial statements at the earliest possible date.

#### *A complementary research project*

This year, my Office and the United States General Accounting Office completed a two-year Federal Government Reporting Study (FGRS) designed to identify the financial information about federal governments that users need. The results of the study should provide objective and credible input to PSAAC in developing government GAAP and to the federal government in making further improvements to its financial statements.

The most significant overall finding of FGRS was that virtually all the users consulted required a comprehensive but succinct annual financial report. An illustration of what such a document might look like for the Government of Canada was published as part of the research.

Reaction to FGRS has been positive. Findings have been provided to and discussed with PSAAC, and are proving to be very helpful to the Committee in its work. The Standing Committee on Public Accounts of the House of Commons considered the Study's findings in a public hearing on June 19, 1986. Members expressed interest in having the Government prepare and publish an annual financial report along the lines illustrated. At the hearing, the Comptroller General of Canada explained that FGRS findings will be thoroughly explored with the President of the Treasury Board, the Minister of Finance and the Receiver General. He indicated that a substantive progress report could be provided to the Committee within one year, with a final report on the Government's position within two years.

FGRS has provided a vehicle for defining and communicating the financial information about the federal government that users need. The challenge now is for users to create the climate within which both PSAAC and the Government will be encouraged to respond.



# SECTION 4

1985-86  
PUBLIC ACCOUNTS

## Envelopes and Outlays, Estimates and Appropriations

### CONTENTS

	<i>Page</i>
Envelopes and outlays .....	4.2
Details of outlays by envelope .....	4.2
Outlays of ministries by envelope .....	4.6
Estimates and appropriations—	
Parliamentary spending authorities .....	4.7
Source and disposition of authorities—Annual and statutory .....	4.8
Reconciliation of outlays for loans, investments and advances to non-budgetary use of appropriations.....	4.9

## ENVELOPES AND OUTLAYS

The increasing complexity of Government responsibilities and the limited resources available to meet those responsibilities led to the policy and expenditure management system. Under this system, the Government manages the resources made available to it by "envelopes". Each envelope represents the resources allocated to a particular policy sector for all elements of ministerial spending that relate to that sector.

Under the envelope system, spending is measured in terms of outlays for budgetary expenditure and for loans, investments and advances. Outlays for budgetary expenditure include costs of servicing the public debt, operating and capital

expenditure, grants and contributions to other levels of government, persons and organizations, and other forms of transfer payments. Outlays for loans, investments and advances represent the net change in loans, investments and advances.

### Details of Outlays by Envelope

Table 4.1 presents outlays on a comparative basis for budgetary expenditure and for loans, investments and advances by major element within each envelope.

TABLE 4.1

#### DETAILS OF OUTLAYS BY ENVELOPE (in millions of dollars)

	1986			1985		
	Budgetary expenditure	Loans, investments and advances	Total	Budgetary expenditure	Loans, investments and advances	Total
<b>SOCIAL DEVELOPMENT</b>						
<b>COMMUNICATIONS—</b>						
Department: cultural affairs and Canada Museums Construction Corporation Inc.	146	(1)	146	118	(1)	118
Canada Council	74		74	73		73
Canadian Broadcasting Corporation	857		857	905		905
Canadian Film Development Corporation	76		76	46	- 3	43
Canadian Radio-television and Telecommunications Commission	25	(1)	25	25	(1)	25
National Arts Centre Corporation	17		17	15		15
National Film Board	65		65	61		61
National Library	32	(1)	32	30	(1)	30
National Museums of Canada	74	(1)	74	74	(1)	74
Public Archives	40	(1)	40	39	(1)	39
<b>EMPLOYMENT AND IMMIGRATION—</b>						
Department/Canada Employment and Immigration Commission	4,711	3	4,714	4,990	6	4,996
Immigration Appeal Board	5		5	4		4
<b>ENVIRONMENT</b>	701	(1)	701	754	(1)	754
<b>INDIAN AFFAIRS AND NORTHERN DEVELOPMENT—</b>						
Department	2,376	16	2,392	2,251	- 14	2,237
Northern Canada Power Commission		3	3		- 5	- 5
<b>JUSTICE—</b>						
Department	132	(1)	132	134	(1)	134
Canadian Human Rights Commission	9		9	9		9
Commissioner for Federal Judicial Affairs	107	(1)	107	89	(1)	89
Federal Court of Canada	8		8	8		8
Law Reform Commission of Canada	5		5	5		5
Offices of the Information and Privacy Commissioners of Canada	3		3	3		3
Supreme Court of Canada	6		6	6		6
Tax Court of Canada	3		3	3	(1)	3
<b>LABOUR—</b>						
Canada Mortgage and Housing Corporation	1,454	- 195	1,259	1,965	- 365	1,600
Canadian Centre for Occupational Health and Safety	7		7	7		7
<b>NATIONAL HEALTH AND WELFARE—</b>						
Department	26,131	(1)	26,131	24,655	(1)	24,655
Fitness and amateur sport program	68	(1)	68	102	(1)	102
Medical Research Council	161		161	157		157
<b>SECRETARY OF STATE—</b>						
Department	3,129	(1)	3,129	3,042	(1)	3,042
Canadian Advisory Council on the Status of Women	3		3	3		3
Social Sciences and Humanities Research Council	63		63	63		63
Status of Women—Office of the Co-ordinator	3	(1)	3	3	(1)	3
<b>SOCIAL DEVELOPMENT</b>				3		3
<b>SOLICITOR GENERAL—</b>						
Department	120	(1)	120	40	(1)	40
Canadian Security Intelligence Service	116		116			
Correctional Service	730	(1)	730	740	(1)	740

TABLE 4.1

DETAILS OF OUTLAYS BY ENVELOPE—*Continued*  
(in millions of dollars)

	1986			1985		
	Budgetary expenditure	Loans, investments and advances	Total	Budgetary expenditure	Loans, investments and advances	Total
National Parole Board.....	15	(1)	15	14	(1)	14
Royal Canadian Mounted Police.....	794		794	836	1	837
<b>SUPPLY AND SERVICES—</b>						
Canadian Unity Information Office program.....				14		14
<b>VETERANS AFFAIRS.....</b>	1,536	– 31	1,505	1,459	– 32	1,427
	43,802	– 204	43,598	42,745	– 412	42,333
<b>ECONOMIC AND REGIONAL DEVELOPMENT</b>						
<b>AGRICULTURE—</b>						
Department.....	1,751	– 4	1,747	1,753	– 3	1,750
Canadian Dairy Commission.....	4	– 51	– 47	6	37	43
Canadian Livestock Feed Board.....	16		16	19		19
Canagrex.....				5		5
Farm Credit Corporation.....		– 214	– 214		– 171	– 171
<b>COMMUNICATIONS—</b>						
Department—						
Communications: excluding cultural affairs and Canada Museums Construction Corporation Inc. ....	164	(1)	164	165		165
<b>CONSUMER AND CORPORATE AFFAIRS—</b>						
Department.....	155	(1)	155	194	(1)	194
Restrictive Trade Practices Commission.....	1		1	1		1
Standards Council of Canada.....	6		6	7		7
<b>ECONOMIC AND REGIONAL DEVELOPMENT.....</b>				6	(1)	6
<b>ENERGY, MINES AND RESOURCES—</b>						
Department.....	2,228	– 5	2,223	4,128	1	4,129
Atomic Energy Control Board.....	21		21	20		20
Atomic Energy of Canada Limited.....	275	– 67	208	326	– 38	288
National Energy Board.....	25	(1)	25	24	(1)	24
Petro-Canada.....				17		17
<b>EXTERNAL AFFAIRS—</b>						
Department—						
Grains and oilseeds program.....	9		9	12		12
Program for export market development.....	34		34	33		33
Canadian Commercial Corporation.....	16		16	17		17
Export Development Corporation.....		– 314	– 314		116	116
<b>FISHERIES AND OCEANS—</b>						
Department.....	635		635	721	114	835
Canadian Saltfish Corporation.....		5	5		– 2	– 2
Freshwater Fish Marketing Corporation.....		2	2		6	6
<b>LABOUR—</b>						
Department.....	151	(1)	151	129	(1)	129
Canada Labour Relations Board.....	6		6	6	(1)	6
<b>REGIONAL INDUSTRIAL EXPANSION—</b>						
Department.....	1,060	46	1,106	1,070	– 34	1,036
Canadair Financial Corporation Inc.....	1,188		1,188	300		300
Cape Breton Development Corporation.....	120	– 11	109	108	2	110
Federal Business Development Bank.....	26	– 119	– 93	31	– 157	– 126
Investment Canada.....	10		10	7		7
The de Havilland Aircraft of Canada, Limited.....	50		50	150	– 4	146
<b>SCIENCE AND TECHNOLOGY—</b>						
Ministry of State.....	13	(1)	13	7	(1)	7
National Research Council of Canada.....	417	(1)	417	468	(1)	468
Natural Sciences and Engineering Research Council.....	310		310	312		312
Science Council of Canada.....	4		4	5		5
<b>SUPPLY AND SERVICES—</b>						
Department: unsolicited proposals for research and development, source development fund and public awareness.....	24		24	17		17
<b>TRANSPORT—</b>						
Department.....	2,678	– 48	2,630	2,953	– 4	2,949
Air Canada.....		– 32	– 32		– 18	– 18
Canadian Aviation Safety Board.....	18	(1)	18	5		5
Canadian Transport Commission.....	680	(1)	680	786	(1)	786
Grain Transportation Agency Administrator.....	2		2	1		1
Northern Pipeline Agency.....	1	(1)	1	4	(1)	4
	12,098	– 812	11,286	13,813	– 155	13,658



TABLE 4.1

DETAILS OF OUTLAYS BY ENVELOPE—*Continued*  
(in millions of dollars)

	1986			1985		
	Budgetary expenditure	Loans, investments and advances	Total	Budgetary expenditure	Loans, investments and advances	Total
<b>FISCAL ARRANGEMENTS</b>						
FINANCE—						
Department—						
Fiscal transfer payments program .....	5,702	– 90	5,612	5,813	– 38	5,775
PUBLIC WORKS—						
Department: municipal grants .....	239		239	272		272
	5,941	– 90	5,851	6,085	– 38	6,047
<b>EXTERNAL AFFAIRS AND AID</b>						
ENERGY, MINES AND RESOURCES—						
Petro-Canada International Assistance Corporation .....	24		24	60		60
EXTERNAL AFFAIRS—						
Department: excluding grains and oilseeds program and program for export market development .....	739	9	748	701	1	702
Canadian International Development Agency .....	1,269	273	1,542	1,333	338	1,671
International Development Research Centre .....	86		86	81		81
International Joint Commission .....	3		3	3		3
FINANCE—						
Department—						
Financial and economic policies program: development assistance .....		93	93		214	214
	2,121	375	2,496	2,178	553	2,731
<b>DEFENCE</b>						
NATIONAL DEFENCE .....	9,168	(1)	9,168	8,926	8	8,934
<b>SERVICES TO GOVERNMENT</b>						
CONSUMER AND CORPORATE AFFAIRS—						
Canada Post Corporation .....	355		355	516		516
FINANCE—						
Department—						
Financial and economic policies program: excluding development assistance .....	86		86	90		90
Canadian Import Tribunal program .....	2		2	2		2
Inspector general of banks program .....	4		4	2		2
Special program .....	797	74	871	(1)	1	1
Auditor General .....	42		42	40		40
Canada Deposit Insurance Corporation .....		895	895		40	40
Insurance .....	24		24	13		13
Tariff Board .....	3		3	3		3
GOVERNOR GENERAL .....	6		6	6		6
NATIONAL REVENUE—						
Customs and Excise .....	416	(1)	416	409	(1)	409
Taxation .....	700	(1)	700	663	(1)	663

TABLE 4.1

DETAILS OF OUTLAYS BY ENVELOPE—*Concluded*  
(in millions of dollars)

	1986			1985		
	Budgetary expenditure	Loans, investments and advances	Total	Budgetary expenditure	Loans, investments and advances	Total
<b>PRIVY COUNCIL—</b>						
Department.....	51	(1)	51	52	(1)	52
Canadian Intergovernmental Conference Secretariat .....	3		3	3		3
Chief Electoral Officer .....	4		4	94		94
Commissioner of Official Languages .....	9		9	9		9
Economic Council of Canada .....	8		8	8		8
Public Service Staff Relations Board .....	9		9	8	(1)	8
<b>PUBLIC WORKS—</b>						
Department: excluding municipal grants .....	918	(1)	918	984	(1)	984
National Capital Commission .....	81	– 27	54	97	– 5	92
<b>SECRETARY OF STATE—</b>						
Public Service Commission .....	117	(1)	117	113	(1)	113
<b>SUPPLY AND SERVICES—</b>						
Department: excluding unsolicited proposals for research and development, source development fund and public awareness .....	205	30	235	172	(1)	172
Royal Canadian Mint .....		18	18		– 2	– 2
Statistics Canada .....	209	(1)	209	208	(1)	208
<b>TREASURY BOARD—</b>						
Secretariat .....	267	(1)	267	259	(1)	259
Comptroller General .....	12		12	11		11
	4,328	990	5,318	3,762	34	3,796
<b>PARLIAMENT—</b>						
The Senate .....	27	(1)	27	26	(1)	26
House of Commons .....	163	(1)	163	158	(1)	158
Library of Parliament .....	11	(1)	11	10	(1)	10
	201	(1)	201	194	(1)	194
<b>PUBLIC DEBT</b>						
<b>FINANCE—</b>						
Department—						
Public debt program .....	25,505		25,505	22,551		22,551
<b>TOTAL .....</b>	103,164 <sup>(2)</sup>	259	103,423	100,254 <sup>(2)</sup>	– 10	100,244

(1) Less than \$500,000.

(2) Total net expenditure as per Table 6.2 in Section 6 of this volume.

## Outlays of Ministries by Envelope

Table 4.2 discloses ministerial responsibility for outlays by envelope.

TABLE 4.2

### OUTLAYS OF MINISTRIES BY ENVELOPE

(in millions of dollars)

	Social develop- ment	Economic and regional development	Fiscal arrange- ments	External affairs and aid	Defence	Services to Government	Parliament	Public debt	Total outlays
Agriculture .....		1,502 <i>1,646</i>							1,502 <i>1,646</i>
Communications .....	1,406 <i>1,383</i>	164 <i>165</i>							1,570 <i>1,548</i>
Consumer and Corporate Affairs .....		162 <i>202</i>				355 <i>516</i>			517 <i>718</i>
Economic and Regional Development.....									
Employment and Immigration.....	4,719 <i>5,000</i>	6							6 <i>4,719</i> <i>5,000</i>
Energy, Mines and Resources .....		2,477 <i>4,478</i>		24 <i>60</i>					2,501 <i>4,538</i>
Environment .....	701 <i>754</i>								701 <i>754</i>
External Affairs .....		- 255 <i>178</i>		2,379 <i>2,457</i>					2,124 <i>2,635</i>
Finance .....			5,612 <i>5,775</i>	93 <i>214</i>		1,927 <i>191</i>		25,505 <i>22,551</i>	33,137 <i>28,731</i>
Fisheries and Oceans .....		642 <i>839</i>							642 <i>839</i>
Governor General .....						6 <i>6</i>			6 <i>6</i>
Indian Affairs and Northern Development .....	2,395 <i>2,232</i>								2,395 <i>2,232</i>
Justice.....	273 <i>257</i>								273 <i>257</i>
Labour .....	1,266 <i>1,607</i>	157 <i>135</i>							1,423 <i>1,742</i>
National Defence .....					9,168 <i>8,934</i>				9,168 <i>8,934</i>
National Health and Welfare .....	26,360 <i>24,914</i>								26,360 <i>24,914</i>
National Revenue .....						1,116 <i>1,072</i>			1,116 <i>1,072</i>
Parliament .....							201 <i>194</i>		201 <i>194</i>
Privy Council.....						84 <i>174</i>			84 <i>174</i>
Public Works.....			239 <i>272</i>			972 <i>1,076</i>			1,211 <i>1,348</i>
Regional Industrial Expansion.....		2,370 <i>1,473</i>							2,370 <i>1,473</i>
Science and Technology .....		744 <i>792</i>							744 <i>792</i>
Secretary of State .....	3,198 <i>3,111</i>					117 <i>113</i>			3,315 <i>3,224</i>
Social Development.....									
Solicitor General .....	1,775 <i>1,631</i>	3							3 <i>1,775</i> <i>1,631</i>
Supply and Services .....		24 <i>17</i>				462 <i>378</i>			486 <i>409</i>
Transport .....	14	3,299 <i>3,727</i>							3,299 <i>3,727</i>
Treasury Board .....						279 <i>270</i>			279 <i>270</i>
Veterans Affairs .....	1,505 <i>1,427</i>								1,505 <i>1,427</i>
Total outlays (net) .....	43,598 <i>42,333</i>	11,286 <i>13,658</i>	5,851 <i>6,047</i>	2,496 <i>2,731</i>	9,168 <i>8,934</i>	5,318 <i>3,796</i>	201 <i>194</i>	25,505 <i>22,551</i>	103,423 <i>100,244</i>

Amounts in roman type are 1985-86 outlays.

Amounts in *italic* type are 1984-85 outlays.

# ESTIMATES AND APPROPRIATIONS

## Parliamentary Spending Authorities

The Government submits its spending proposals to Parliament in the annual Estimates. During the year, the Government may request further appropriations. The initial request is called the "Main Estimates" and additional requests are called "Supplementary Estimates". With these Estimates, the Government requests authority for that part of the proposed spending which is not already provided by other statutes. The amounts making up the total of such proposed spending are authorized in appropriation acts and are generally referred to as "annual" authorities. The balance of the planned spending is made under authority of other statutes which authorize disbursements for specified purposes, and for such amounts and time periods as are set by those acts. The proposed or estimated uses of most of these "statutory" authorities for the current year are included in the Estimates for information purposes; however, they are not included in appropriation acts because they have already been authorized by Parliament.

Annual authorities, with few exceptions, lapse at the end of the year if not used, while statutory authorities, with few

exceptions, are carried forward to future years. Those authorities which extend to subsequent years are referred to as "non-lapsing".

Both the budgetary expenditure amounts and the non-budgetary requirements for loans, investments and advances are included under each type of spending authority, annual and statutory.

Table 4.3 presents, for the year ended March 31, 1986, a summary of parliamentary spending authorities requested and approved (annual authority), and estimated uses of authorities already granted (statutory authority).

A Statement of Source and Disposition of Authorities by ministry, as examined by the Auditor General, is presented in Section 2 of this volume. Additional details on the source and disposition of authorities by ministry and by type (annual and statutory) are given in Section 1 (Table 3) of Volume II (Part I), and in the ministerial sections of the same volume.

TABLE 4.3

## PARLIAMENTARY SPENDING AUTHORITIES (in millions of dollars)

	Authority		
	Annual	Statutory	Total
<b>ESTIMATES</b>			
Spending proposals presented to Parliament:			
Main Estimates—Budgetary .....	36,909	65,622	102,531
Non-budgetary .....	<b>308</b>	<b>733</b>	<b>1,041</b>
Supplementary Estimates (A)—Budgetary .....	350		350
Non-budgetary .....	<b>15</b>	<b>— 15</b>	
Supplementary Estimates (B)—Budgetary .....	977	— 278	699
Non-budgetary .....	<b>78</b>	<b>899</b>	<b>977</b>
Supplementary Estimates (C)—Budgetary .....	215	1,452	1,667
Non-budgetary .....	<b>20</b>	<b>— 107</b>	<b>— 87</b>
Total—Budgetary .....	38,451	66,796	105,247
Non-budgetary .....	<b>421</b>	<b>1,510</b>	<b>1,931</b>
<b>APPROPRIATIONS</b>			
Granted by Parliament in appropriation acts:			
Appropriation Act No. 1—Budgetary .....	10,423		
Non-budgetary .....	<b>79</b>		
Appropriation Act No. 2—Budgetary .....	26,836		
Non-budgetary .....	<b>244</b>		
Appropriation Act No. 3—Budgetary .....	977		
Non-budgetary .....	<b>78</b>		
Appropriation Act No. 4—Budgetary .....	215		
Non-budgetary .....	<b>20</b>		
Total—Budgetary .....	38,451		
Non-budgetary .....	<b>421</b>		

Amounts in roman type are budgetary.

Amounts in **bold face** type are non-budgetary loans, investments and advances.

## Source and Disposition of Authorities— Annual and Statutory

Budgetary appropriations provide spending authority for those transactions which enter into the calculation of the annual deficit or surplus of the Government. Non-budgetary appropriations provide spending authority for all transactions which result in the acquisition or disposal of loans, investments and advances. Balances of appropriations brought forward from the previous years are available for spending, together with current increases to such authorities.

The totals of these authorities are reduced by the amount of their current year use to determine the balances which lapse, are overexpended or are carried forward to future years, depending upon the type of authority. In cases where the spending of loan repayments is authorized, the non-budgetary spending is reported net of such repayments.

Table 4.4 presents details of the total available parliamentary spending authorities. They include authorities available from previous years, parliamentary spending authorities as per Table 4.3 and various adjustments which are explained in the notes to the table.

Table 4.5 presents a summary of the source and disposition of authorities by type (annual and statutory) for the year ended March 31, 1986.

Further ministerial details are presented in Section 1 (Table 3) of Volume II (Part I).

TABLE 4.4

### TOTAL AVAILABLE PARLIAMENTARY SPENDING AUTHORITIES (in millions of dollars)

	Available from previous years	Main and Supplementary Estimates	Adjustments and transfers <sup>(1)</sup>	Total available parliamentary spending authorities
Annual—Budgetary .....	22	38,451	- 24	38,449
Non-budgetary .....	<b>1,911</b>	<b>421</b>	<b>558</b>	<b>2,890</b>
Statutory—Budgetary .....	909	66,796	1,393	69,098
Non-budgetary .....	<b>26,522</b>	<b>1,510</b>	<b>- 1,403</b>	<b>26,629</b>
Total—Budgetary .....	931	105,247	1,369	107,547
Non-budgetary .....	<b>28,433</b>	<b>1,931</b>	<b>- 845</b>	<b>29,519</b>

<sup>(1)</sup> These adjustments and transfers include items such as:

- (a) reserved allotments established to provide payment authority for the overexpenditure of previous year's appropriations which resulted from Payables at Year End (PAYE);
- (b) adjustments to items displayed in the Estimates on an informational basis to reflect actual spending and of certain authorities carried forward to reflect authorities available; and,
- (c) adjustments to authorities granted in statutes other than appropriation acts.

Further details can be obtained by referring to the adjustments and transfers column of the Ministry Summary in the ministerial sections of Volume II (Part I).

Amounts in roman type are budgetary.

Amounts in **bold face** type are non-budgetary loans, investments and advances.

TABLE 4.5

### SOURCE AND DISPOSITION OF AUTHORITIES—ANNUAL AND STATUTORY (in millions of dollars)

	Total available for use <sup>(1)</sup>	Used	Lapsed	Overexpended	Available for use in subsequent years
Annual—Budgetary .....	38,449	35,572	2,855	- 1	23
Non-budgetary .....	<b>2,890</b>	<b>889</b>	<b>74</b>		<b>1,927</b>
Statutory—Budgetary .....	69,098	67,592	638		868
Non-budgetary .....	<b>26,629</b>	<b>498</b>			<b>26,131</b>
Total—Budgetary .....	107,547	103,164	3,493	- 1	891
Non-budgetary .....	<b>29,519</b>	<b>1,387</b>	<b>74</b>		<b>28,058</b>

<sup>(1)</sup> Represents total available parliamentary spending authorities (Table 4.4).

Amounts in roman type are budgetary.

Amounts in **bold face** type are non-budgetary loans, investments and advances.



Reconciliation of Outlays for Loans, Investments and  
Advances to Non-budgetary Use of Appropriations

The following presents a reconciliation of total outlays for loans, investments and advances, as shown in Table 4.1, with the total of non-budgetary appropriations used in the current year, as shown in the Statement of Source and Disposition of Authorities in Section 2 of this volume.

The major difference relates to repayments of loans under appropriations which do not authorize spending of repayments. Such amounts are deducted from gross outlays for envelope reporting but not for reporting the use of appropriations.

	Non-budgetary loans, investments and advances (in millions of dollars)
Total outlays for loans, investments and advances as per Table 4.1 .....	259
Add: adjustments to non-budgetary authority items which are not required for use of appropriations reporting—	
repayments of loans under appropriations which do not authorize spending of repayments .....	776
other adjustments .....	352
Total non-budgetary use of appropriations as per the audited Statement of Source and Disposition of Authorities in Section 2 of this volume ..	1,387



# SECTION 5

1985-86  
PUBLIC ACCOUNTS

## Budgetary Revenue

### CONTENTS

	<i>Page</i>
Budgetary revenue.....	5.2
Reconciliation of total net revenue .....	5.6
Tax revenue .....	5.7
Non-tax revenue .....	5.9
Supplementary statement—	
Monthly total net revenue by selected classification .....	5.10

## BUDGETARY REVENUE

Budgetary revenue consists of all tax and non-tax receipts which affect the annual deficit or surplus of the Government, and includes revenue internal to the Government.

The Government generally reports revenue in the year in which it is received, with refunds of revenue allocated to the year in which they are actually paid.

Revenue is reported after deducting refunds paid, and excludes amounts receivable, taxes collected on behalf of provinces and territories, and amounts credited to the Canada Pension Plan Account, superannuation accounts, other specified purpose accounts, and other liability accounts.

Revenue for a year, therefore, includes receipts credited to the Receiver General by the Bank of Canada and the chartered banks by March 31, and amounts received in Government offices by March 31, but not deposited until April, or not credited to the Receiver General until April. Revenue also includes the amounts received in the mail on the first working day of April, except where it is clear that it was the remitter's intention to discharge an obligation arising in the new year.

The yield from tax revenue is affected by changes in tax rates, by changes in the base on which taxes are calculated, and by variations in economic conditions. A taxpayer's income tax liability relates to the income of a taxation year, but advance collection of personal and corporation income taxes by payroll deductions and instalments results in a distribution of receipts throughout the year.

The major tax changes which had an effect on this year's tax revenue are:

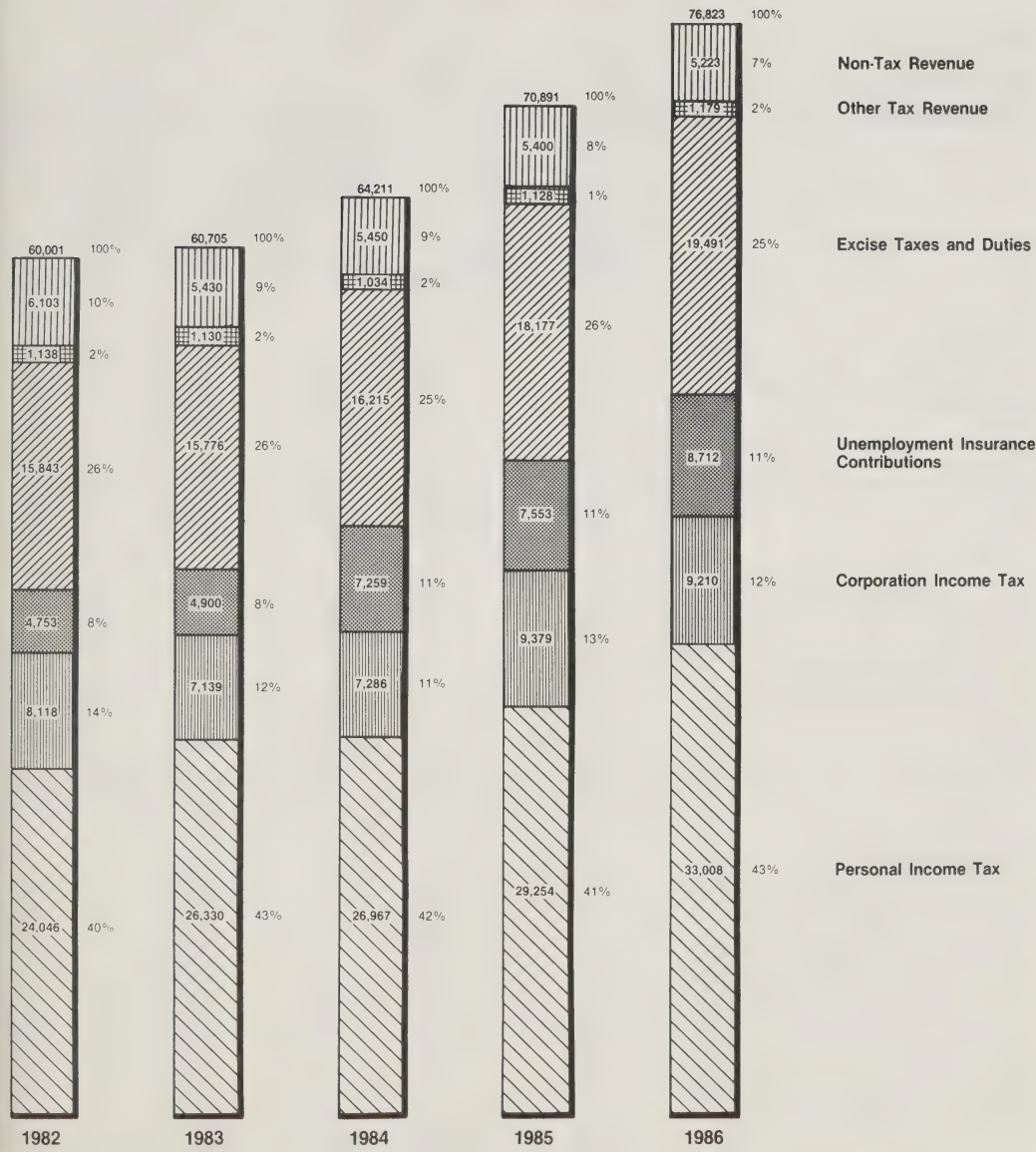
- personal income tax—in 1985, the federal tax reduction was lowered from \$200 to \$100 and was subsequently eliminated commencing in the 1986 tax year; the indexation of personal income tax exemptions and tax brackets was restricted to the annual increase in the Consumer Price Index that exceeds 3%, beginning in the 1986 tax year; effective July 1, 1985, a surtax of 5% was imposed on basic federal tax between \$6,000 and \$15,000, while a 10% surtax was imposed on basic federal tax in excess of \$15,000, and, in the 1985 tax year, capital gains realized by individuals after 1984 were exempt up to a cumulative limit of \$10,000 of taxable capital gains as part of the phase-in of the \$500,000 lifetime capital gains exemption introduced in the May 23, 1985 Budget;
- corporation income tax—effective July 1, 1985, a 5% surtax was applied to corporate tax liabilities, with the exception of tax on income qualifying for the small business tax rate; commencing January 1, 1986, a temporary two-year tax on larger financial institutions regulated under the Bank Act, the Quebec Savings Banks Act and under the federal and provincial trust and/or loan corporation legislation was imposed at an annual rate of 1% of capital employed in Canada in excess of \$200 million; the special investment tax credit of 50%, which was due to expire at the end of 1985, was extended for a one-year period in the May 23, 1985 Budget; and, the expenditure base for investment tax credits was restricted to qualifying expenditures net of grant payments in respect of these expenditures for expenditures performed and grants received after May 23, 1985;
- sales tax—beginning December 1, 1984, farmers, fishermen, loggers and mine operators were offered a fuel tax

rebate on purchases of gasoline and diesel fuel for off-highway use in commercial activities; effective January 1, 1986, the federal sales tax rate was increased 1 percentage point; commencing July 1, 1985, the federal sales tax was extended to soft drinks, candy and confectionary, pet foods, non-prescription drugs and health goods, surgical and dental instruments and energy conservation goods; the special relieving provisions for construction goods manufactured away from the construction site were removed effective July 1, 1985; and, the federal sales tax on prerecorded video cassettes was shifted from the manufacturer's level to the wholesale level effective July 1, 1985;

- excise taxes and duties—effective May 23, 1985, the indexation of the specific levies on alcoholic beverages and tobacco products was eliminated, while the then existing specific excise tax on cigarettes was increased by 1 cent per cigarette and the specific excise levies on alcohol were increased 2% effective May 23, 1985;
- customs import duties—as scheduled under the Multilateral Trade Negotiations, the seventh of eight annual tariff reductions was implemented in January 1986;
- petroleum and gas revenue tax (PGRT)—the annual tax credit allowed a corporation or a group of associated corporations against its PGRT on production revenue, other than production royalties, was increased from \$250,000 to \$500,000 in respect of production revenue earned after December 31, 1984; the Western Energy Accord allowed for the phase-out of the PGRT with the effective tax rates for conventional and synthetic oil reduced to 10% and 6%, respectively, beginning January 1, 1986; production revenue and royalties related to oil, natural gas, and gas liquids produced from new wells on which drilling began on or after April 1, 1985 was exempted from PGRT; for taxation years ending after March 31, 1985, unused corporate income tax deductions associated with certain eligible exploration and development expenses could be used to reduce a corporation's PGRT; and, commencing in the 1986 tax year, the first \$10,000 of an individual Canadian resident's annual resource income on production was exempted from the PGRT; and,
- other energy taxes—effective September 3, 1985, the excise tax on gasoline and aviation gasoline for personal use was increased by 2 cents per litre and a new 2 cents per litre excise tax on diesel fuel and aviation turbo fuel was imposed; under the provisions of the Western Energy Accord agreed to by the federal government and the governments of Alberta, British Columbia and Saskatchewan, the Canadian Ownership special charge, the oil export charges, the natural gas and gas liquids tax and the incremental oil revenue tax were eliminated effective June 1, 1985.

Under fiscal arrangements that became operative in 1962, the federal Government entered into tax collection agreements to collect the personal income taxes of all provinces and territories (except Quebec) and the corporation income taxes of all provinces and territories (except Ontario, Quebec and Alberta). Personal and corporation income taxes collected by the federal Government on behalf of the provinces and territories are not included in the tables shown hereunder.

REVENUE  
"Five year comparative summary"  
Millions of dollars



\*Based on total net revenue from outside parties.



Table 5.1 presents budgetary revenue by main classification and source on both a gross and net basis and segregates revenue internal to the Government from revenue from outside

parties. The difference between gross and net revenue is revenue credited to appropriations.

TABLE 5.1

# BUDGETARY REVENUE BY MAIN CLASSIFICATION AND SOURCE

(in millions of dollars)

	1985-86							
	Gross revenue			Revenue credited to appropriations		Net revenue		
	From outside parties <sup>(2)</sup>	Internal to the Government	Total	From outside parties	Internal to the Government	From outside parties <sup>(2)</sup>	Internal to the Government	Total
Tax revenue—								
Income tax—								
Personal .....	33,008		33,008			33,008		33,008
Corporation .....	9,210		9,210			9,210		9,210
Unemployment insurance contributions .....	8,712		8,712			8,712		8,712
Non-resident .....	1,053		1,053			1,053		1,053
	51,983		51,983			51,983		51,983
Excise taxes and duties—								
Sales tax .....	9,345	38	9,383			9,345	38	9,383
Customs import duties .....	3,971	4	3,975			3,971	4	3,975
Excise duties .....	1,473		1,473			1,473		1,473
Other .....	1,661		1,661	307		1,354		1,354
	16,450	42	16,492	307		16,143	42	16,185
Energy taxes—								
Petroleum and gas revenue tax and incremental oil revenue tax .....	2,037		2,037			2,037		2,037
Excise tax—Gasoline .....	729		729			729		729
Oil export charges .....	327		327			327		327
Canadian Ownership special charge .....	229		229			229		229
Aviation gas and diesel fuel .....	41		41			41		41
Natural gas and gas liquids tax .....	– 15		– 15			– 15		– 15
Petroleum compensation charge .....	1,093		1,093	1,093				
	4,441		4,441	1,093		3,348		3,348
	20,891	42	20,933	1,400		19,491	42	19,533
Other tax revenue .....	126		126			126		126
Total tax revenue .....	73,000	42	73,042	1,400		71,600	42	71,642
Non-tax revenue—								
Return on investments—								
Bank of Canada .....	1,880		1,880			1,880		1,880
Canada Mortgage and Housing Corporation ..	892		892			892		892
Farm Credit Corporation .....	403		403			403		403
Interest on bank deposits .....	278		278			278		278
Exchange Fund Account .....	– 505		– 505			– 505		– 505
Other return on investments .....	791	13	804			791	13	804
	3,739	13	3,752			3,739	13	3,752
Refunds of previous years' expenditure .....	427	17	444			427	17	444
Privileges, licences and permits .....	366		366	167		199		199
Services and service fees .....	985	2,133	3,118	822	2,130	163	3	166
Domestic coinage .....	144		144			144		144
Proceeds from sales .....	275	137	412	173	128	102	9	111
Premium and discount on exchange .....	6		6	1		5		5
Other non-tax revenue .....	593	1,085	1,678	149	1,053	444	32	476
	2,796	3,372	6,168	1,312	3,311	1,484	61	1,545
Total non-tax revenue .....	6,535	3,385	9,920	1,312	3,311	5,223	74	5,297
Total revenue .....	79,535	3,427	82,962	2,712	3,311	76,823	116	76,939

<sup>(1)</sup> Less than \$500,000.

<sup>(2)</sup> Reflected on the Statement of Revenue and Expenditure in Section 2 of this volume.

1984-85							
Gross revenue			Revenue credited to appropriations		Net revenue		
From outside parties <sup>(2)</sup>	Internal to the Government	Total	From outside parties	Internal to the Government	From outside parties <sup>(2)</sup>	Internal to the Government	Total
29,254		29,254			29,254		29,254
9,379		9,379			9,379		9,379
7,553		7,553			7,553		7,553
1,021		1,021			1,021		1,021
47,207		47,207			47,207		47,207
7,592	137	7,729			7,592	137	7,729
3,794	2	3,796			3,794	2	3,796
1,462		1,462			1,462		1,462
1,076	(1)	1,076	226		850	(1)	850
13,924	139	14,063	226		13,698	139	13,837
2,563		2,563			2,563		2,563
404		404			404		404
677		677			677		677
850		850			850		850
- 15	- 1	- 16			- 15	- 1	- 16
2,208		2,208	2,208				
6,687	- 1	6,686	2,208		4,479	- 1	4,478
20,611	138	20,749	2,434		18,177	138	18,315
107		107			107		107
67,925	138	68,063	2,434		65,491	138	65,629
1,852		1,852			1,852		1,852
913		913			913		913
452		452			452		452
243		243			243		243
224		224			224		224
568	21	589			568	21	589
4,252	21	4,273			4,252	21	4,273
344	6	350			344	6	350
295		295	153		142		142
1,002	1,999	3,001	859	1,996	143	3	146
70		70			70		70
259	141	400	171	129	88	12	100
61		61			61		61
433	1,128	1,561	133	1,098	300	30	330
2,464	3,274	5,738	1,316	3,223	1,148	51	1,199
6,716	3,295	10,011	1,316	3,223	5,400	72	5,472
74,641	3,433	78,074	3,750	3,223	70,891	210	71,101

## Reconciliation of Total Net Revenue

Changes have been made, in 1986, in the valuation and classification of certain assets and liabilities, and in the recognition of international reserves held in the Exchange Fund Account. Commencing with 1985-86 (1984-85 for the Canadian Ownership Account), the transactions of certain specified purpose accounts are reported with budgetary revenue and expenditure. These accounts are:

- Unemployment Insurance Account;
- Canadian Ownership Account;
- Western Grain Stabilization Account;
- Oil Export Charges Revenue Sharing Account; and,
- Crop Reinsurance Fund.

However, since enabling legislation requires that the transactions in each of these specified purpose accounts be accounted for separately as non-budgetary transactions, the revenue reported elsewhere in the Public Accounts do not include the revenue recorded in these accounts.

Commencing with 1985-86, foreign exchange reserves, rather than the outstanding advances to acquire such reserves, are reported on the Statement of Assets and Liabilities. Accordingly, a debit adjustment of \$556 million was made to Non-tax revenue—Return on investments (Exchange Fund Account).

Therefore, Table 5.2 is a comparative reconciliation of total net revenue reported in Table 5.1 with other tables and statements appearing elsewhere in the remaining portion of this section and in Volume II of the Public Accounts.

TABLE 5.2

## RECONCILIATION OF TOTAL NET REVENUE

(in millions of dollars)

	1985-86				1984-85			
	Total net revenue as per Table 5.1	Consolidated specified purpose accounts	Exchange Fund Account adjustment	Total net revenue <sup>(1)</sup>	Total net revenue as per Table 5.1	Consolidated specified purpose accounts	Exchange Fund Account adjustment	Total net revenue <sup>(1)</sup>
<b>Tax revenue—</b>								
Income tax—								
Personal .....	33,008			33,008	29,254			29,254
Corporation .....	9,210			9,210	9,379			9,379
Unemployment insurance contributions .....	8,712	- 8,712			7,553	- 7,553		
Non-resident .....	1,053			1,053	1,021			1,021
	51,983	- 8,712		43,271	47,207	- 7,553		39,654
<b>Excise taxes and duties—</b>								
Sales tax .....	9,383			9,383	7,729			7,729
Customs import duties .....	3,975			3,975	3,796			3,796
Excise duties .....	1,473			1,473	1,462			1,462
Other .....	1,354			1,354	850			850
	16,185			16,185	13,837			13,837
<b>Energy taxes—</b>								
Petroleum and gas revenue tax and incremental oil revenue tax .....	2,037			2,037	2,563			2,563
Excise tax—Gasoline .....	729			729	404			404
Oil export charges .....	327	- 142		185	677	- 269		408
Canadian Ownership special charge .....	229	- 229			850	- 850		
Aviation gas and diesel fuel .....	41			41				
Natural gas and gas liquids tax .....	- 15			- 15	- 16			- 16
Petroleum compensation charge .....	3,348	- 371		2,977	4,478	- 1,119		3,359
	19,533	- 371		19,162	18,315	- 1,119		17,196
Other tax revenue .....	126			126	107			107
<b>Total tax revenue.....</b>	<b>71,642</b>	<b>- 9,083</b>		<b>62,559</b>	<b>65,629</b>	<b>- 8,672</b>		<b>56,957</b>

TABLE 5.2

# RECONCILIATION OF TOTAL NET REVENUE—*Concluded*

(in millions of dollars)

	1985-86			1984-85		
	Total net revenue as per Table 5.1	Consolidated specified purpose accounts	Exchange Fund Account adjustment	Total net revenue as per Table 5.1	Consolidated specified purpose accounts	Exchange Fund Account adjustment
Non-tax revenue						
Return on investments—						
Bank of Canada	1,880			1,852		
Canada Mortgage and Housing Corporation	892			913		
Farm Credit Corporation	403			452		
Interest on bank deposits	278			243		
Exchange Fund Account	- 505		556	51		190
Other return on investments	804	224		1,028	739	
	3,752	224	556	4,532	739	190
Refunds of previous years' expenditure	444			444		
Privileges, licences and permits	199			199		
Services and service fees	166			166		
Domestic coinage	144			144		
Proceeds from sales	111			111		
Premium and discount on exchange	5			5		
Other non-tax revenue	476	- 78		398	- 71	
	1,545	- 78		1,467	- 71	
Total non-tax revenue	5,297	146	556	5,999	668	190
Total revenue	76,939	- 8,937	556	68,558	- 8,004	190

(1) As reported in the remaining part of this section and in Volume II (Part I) of the Public Accounts.

## Tax Revenue

Table 5.3 presents tax revenue on a per capita basis for the last five years.

TABLE 5.3

## TAX REVENUE PER CAPITA

	Tax revenue
	\$
1986	2,448
1985	2,250
1984	2,020
1983	1,985
1982	1,951

## Personal Income Tax

This tax is levied on personal income under the provisions of the Income Tax Act.

In 1985-86, personal income tax was the largest source of Government revenue. It amounted to \$33,008 million, or 48% of total net budgetary revenue.

## Corporation Income Tax

This tax is levied on corporation income under the provisions of the Income Tax Act.

Corporation income tax amounted to \$9,210 million in 1985-86, or 13% of total net budgetary revenue.

## Non-Resident Income Tax

The non-resident income tax is levied on the income earned in Canada by non-residents. It is derived from tax withheld from dividends, interest, rents, royalties, alimony, and income from estates and trusts, paid to non-residents. It amounted to \$1,053 million in 1985-86, or 2% of total net budgetary revenue.

## Excise Taxes and Duties

Excise taxes and duties totalled \$19,162 million in 1985-86, or 28% of total net budgetary revenue.

TABLE 5.4

### EXCISE TAXES AND DUTIES (in millions of dollars)

	1985-86	1984-85	Increase or decrease (-)
Sales tax—			
Domestic goods .....	8,270	6,550	1,720
Imports .....	1,539	1,509	30
Less: refunds and drawbacks ....	426	330	96
	9,383	7,729	1,654
Customs import duties .....	4,402	4,224	178
Less: refunds and drawbacks ....	427	428	- 1
	3,975	3,796	179
Excise duties—			
Cigarettes, tobacco and cigars ..	597	576	21
Spirits .....	503	523	- 20
Beer .....	373	363	10
Licences .....	(1)	(1)	
Less: refunds and drawbacks ....	(1)	(1)	
	1,473	1,462	11
Energy taxes—			
Petroleum and gas revenue tax and incremental oil revenue tax .....	2,037	2,563	- 526
Excise tax—Gasoline .....	729	404	325
Oil export charges .....	185	408	- 223
Aviation gas and diesel fuel .....	41		41
Natural gas and gas liquids tax .....	- 15	- 16	1
	2,977	3,359	- 382
Other—			
Cigarettes, tobacco and cigars ..	1,064	596	468
Wines .....	102	98	4
Jewellery .....	59	51	8
Automotive air conditioners .....	54	38	16
Telecommunications program- ming services .....	52	45	7
Penalties .....	8	13	- 5
Interest .....	4		4
Lighters .....	4	3	1
Playing cards .....	2	2	
Sundry commodities .....	9	7	2
Less: refunds and drawbacks ....	4	3	1
	1,354	850	504
Total as per Table 5.2 .....	19,162	17,196	1,966

(1) Less than \$500,000.

## Sales tax

The sales tax, totalling \$9,383 million in 1985-86, was the most important tax levied under the Excise Tax Act.

## Customs import duties

The revenues from customs import duties, consisting mainly of *ad valorem* taxes on the importation of goods, totalled \$3,975 million in 1985-86.

## Excise duties

Excise duties, which totalled \$1,473 million in 1985-86, are levied on alcoholic beverages (other than wines) and tobacco products. (Additional taxes on tobacco products and taxes on wines are levied under the Excise Tax Act.)

## Petroleum and gas revenue tax and incremental oil revenue tax

The petroleum and gas revenue tax came into effect on January 1, 1981, and is applicable to net operating revenues related to the production of oil and gas.

The incremental oil revenue tax was eliminated effective June 1, 1985.

## Excise tax—Gasoline

Net receipts from the excise tax—Gasoline were \$729 million in 1985-86. Under certain conditions, the amounts received may be refunded to purchasers. As of March 31, 1986, \$781 million was received, and \$52 million was refunded and charged to revenue.

## Oil export charges

The federal share of revenues from oil export charges totalled \$185 million in 1985-86. In accordance with Section 17.1(1)(b) of the Energy Administration Act, oil export charges are shared with oil producing provinces. The share is in respect of oil produced in, and exported from, provinces during the year.

The oil export charges were eliminated effective June 1, 1985.

## Aviation gas and diesel fuel

In the May 1985 Budget, a new 2 cents per litre excise tax on diesel fuel and aviation turbo fuel was imposed effective September 3, 1985.

## Natural gas and gas liquids tax

This tax, which came into effect during 1980-81, was imposed on all sales of natural gas and gas liquids. It was eliminated effective June 1, 1985.



# Non-Tax Revenue

## Return on Investments

Return on investments consists mainly of interest from loans and advances, transfer of profits and surpluses, and rental income from properties.

Return on investments is summarized in Table 5.5. Additional details are given in the ministerial sections of Volume II (Part I) and in Section 11 of Volume II (Part II).

TABLE 5.5

## RETURN ON INVESTMENTS

(in millions of dollars)

	1985-86	1984-85	Increase or decrease ( - )
Loans, investments and advances—			
Crown corporations—			
Lending institutions—			
Canada Deposit Insurance Corporation .....	33		33
Canada Mortgage and Housing Corporation .....	892	913	- 21
Export Development Corporation .....	15	24	- 9
Farm Credit Corporation .....	403	452	- 49
Federal Business Development Bank .....	20	34	- 14
	<i>1,363</i>	<i>1,423</i>	<i>- 60</i>
All other Crown corporations—			
Air Canada .....	16	18	- 2
Atomic Energy of Canada Limited .....	68	81	- 13
Canadian National Railways .....	67	62	5
Petro-Canada .....	50		50
Other—			
Bank of Canada .....	1,880	1,852	28
Canadian Dairy Commission .....	14	18	- 4
Northern Canada Power Commission .....	24	19	5
Royal Canadian Mint .....	10	5	5
Telelobe Canada .....	188	(1)	188
Miscellaneous .....	12	11	1
	<i>2,329</i>	<i>2,066</i>	<i>263</i>
	<i>3,692</i>	<i>3,489</i>	<i>203</i>
Provincial and territorial governments .....	88	91	- 3
National governments including developing countries .....	54	51	3
International organizations .....	(1)	(1)	
Veterans' Land Act Fund—Advances .....	11	12	- 1
Joint and mixed enterprises .....	4	4	
Miscellaneous .....	35	31	4
	<i>192</i>	<i>189</i>	<i>3</i>
	<i>3,884</i>	<i>3,678</i>	<i>206</i>
Foreign exchange accounts—			
Exchange Fund Account .....	51	414	- 363
International Monetary Fund—Subscriptions .....	24	15	9
	<i>75</i>	<i>429</i>	<i>- 354</i>
Cash—			
Interest on bank deposits .....	278	243	35
Consolidated specified purpose accounts—			
Interest on loans to the Unemployment Insurance Account .....	224	739	- 515
Other accounts—			
Government's holdings of unmatured debt .....	29	69	- 40
Interest on investment re: military purchases .....	21	13	8
Rental income from properties .....	9	22	- 13
Supply revolving fund .....	7	5	2
Other .....	5	4	1
	<i>71</i>	<i>113</i>	<i>- 42</i>
Total as per Table 5.2 .....	<i>4,532</i>	<i>5,202</i>	<i>- 670</i>

(1) Less than \$500,000.

## SUPPLEMENTARY STATEMENT

## Monthly Total Net Revenue by Selected Classification

Total net revenue by selected classification is presented by month in Table 5.6.

TABLE 5.6

MONTHLY TOTAL NET REVENUE BY SELECTED CLASSIFICATION  
(in millions of dollars)

	Personal income tax	Corpora- tion income tax	Non- resident income tax	Sales tax	Customs import duties	Excise duties	Petroleum and gas revenue tax <sup>(1)</sup>	Oil export charges	Excise tax— Gasoline and aviation gas and diesel fuel	Other excise taxes and duties and other tax revenue	Non-tax revenue	Total
April, 1985 .....	878	378	139	459	314	110	109	9	5	7	286	2,694
May .....	3,070	654	71	746	310	143	128	31	35	156	360	5,704
June .....	2,035	524	49	666	299	98	151	69	31	59	710	4,691
July .....	3,158	788	72	909	409	132	180	48	36	88	508	6,328
August .....	2,836	617	71	758	300	127	157	14	30	146	286	5,342
September .....	2,813	572	43	753	301	121	170	10	41	97	409	5,330
October .....	3,061	691	69	916	416	143	147	3	62	135	265	5,908
November .....	2,925	625	78	781	355	142	146	1	98	150	345	5,646
December .....	2,923	630	50	801	284	143	140		126	133	1,286	6,516
January, 1986 .....	3,673	802	153	878	329	110	273	- 1	112	132	298	6,759
February .....	2,917	743	149	720	286	87	157		26	198	104	5,387
March .....	1,918	1,943	64	757	336	106	214		80	85	754	6,257
Supplementary .....	801	243	45	239	36	11	65	1	88	79	388	1,996
Total net revenue as per Table 5.2 .....	33,008	9,210	1,053	9,383	3,975	1,473	2,037	185	770	1,465	5,999	68,558

<sup>(1)</sup> Includes the incremental oil revenue tax.

# SECTION 6

1985-86  
PUBLIC ACCOUNTS

## Budgetary Expenditure

### CONTENTS

	<i>Page</i>
Budgetary expenditure .....	6.2
By envelope .....	6.3
Reconciliation of total net expenditure .....	6.6
By standard object .....	6.8
By program .....	6.9
By type .....	6.11
Supplementary statements—	
Public debt charges .....	6.14
Expenditure under statutory authority .....	6.14
Monthly total net expenditure by major spending ministry ....	6.16

## BUDGETARY EXPENDITURE

Budgetary expenditure consists of all charges to budgetary appropriations which affect the annual deficit or surplus of the Government. In addition, budgetary expenditure may also include charges related to the provision for valuation of loans, investments and advances, allowance for borrowings of agent Crown corporations, and accounts payable and other allowances related to statutory items and certain annual appropriations. Such charges include those for work performed, goods received, services rendered, and transfer payments made, during the year and in the supplementary period including accounts payable at year end, and, expenditure internal to the Government.

Expenditure excludes amounts charged to the Canada Pension Plan Account, superannuation accounts, other specified purpose accounts, and other liability accounts.

In this section, expenditure is analysed in several different ways:

- by envelope, i.e. policy sector;
- by standard object, i.e. productive resources acquired or transfer payments made;
- by program, i.e. purpose; and,
- by type, i.e. operating, capital, and transfer payments.

## Expenditure by Envelope

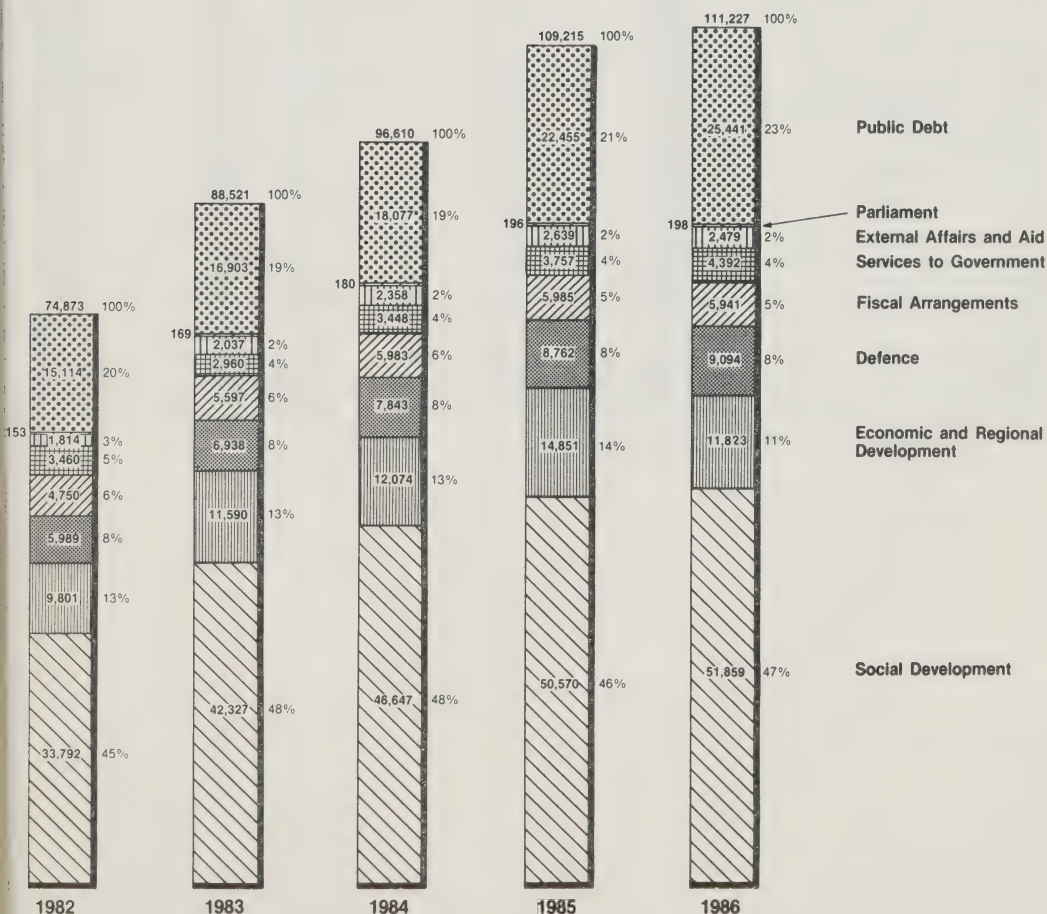
The Government, under its policy and expenditure management system, manages the resources made available to it by "envelope". Each envelope represents the resources allocated to a particular policy sector for all elements of ministerial spending that relates to that sector. Table 6.1 presents budget-

ary expenditure by envelope. The table is presented on both a gross and net basis and segregates expenditure with outside parties from expenditure internal to the Government. The difference between gross and net expenditure is revenue credited to appropriations.

## EXPENDITURE BY ENVELOPE\*

Five year comparative summary

Millions of dollars



\*Based on total net expenditure from outside parties.



TABLE 6.1

## BUDGETARY EXPENDITURE BY ENVELOPE AND SOURCE

(in millions of dollars)

	1985-86						
	Gross expenditure		Revenue credited to appropriations		Net expenditure		
	With outside parties <sup>(2)</sup>	Internal to the Government	Total	From outside parties	Internal to the Government	With outside parties <sup>(2)</sup>	Total
Social development—							
Old age security benefits, guaranteed income supplements and spouses' allowances .....	12,525		12,525			12,525	12,525
Unemployment insurance benefits .....	10,029		10,029			10,029	10,029
Established programs financing—							
Insurance and medical care services ..	6,400		6,400			6,400	6,400
Education support .....	2,580		2,580			2,580	2,580
Canada Assistance Plan .....	3,916		3,916			3,916	3,916
Family allowances .....	2,501		2,501			2,501	2,501
Justice and legal .....	2,016	5	2,021			2,016	5
Social assistance—Indians and Inuit .....	1,953	5	1,958			1,953	5
Direct job creation and training .....	1,795		1,795			1,795	1,795
Veterans benefits .....	1,535	1	1,536			1,535	1
Housing .....	1,429		1,429			1,429	1,429
Television, film and radio .....	1,023		1,023			1,023	1,023
Other .....	4,562	982	5,544	405	972	4,157	10
	52,264	993	53,257	405	972	51,859	21
Economic and regional development .....	13,630	320	13,950	1,807	290	11,823	30
Defence .....	9,366	55	9,421	272	18	9,094	37
Fiscal arrangements .....	5,941		5,941			5,941	5,941
Services to Government .....	4,599	2,055	6,654	207	2,030	4,392	25
External affairs and aid .....	2,500	2	2,502	21	1	2,479	1
Parliament .....	198		198			198	198
Total program expenditure .....	88,498	3,425	91,923	2,712	3,311	85,786	114
Public debt .....	25,441	2	25,443			25,441	2
Total expenditure .....	113,939	3,427	117,366	2,712	3,311	111,227	116

<sup>(1)</sup> Less than \$500,000.<sup>(2)</sup> Reflected on the Statement of Revenue and Expenditure in Section 2 of this volume.

1984-85								Increase or decrease ( — ) in total net expenditure
Gross expenditure		Revenue credited to appropriations			Net expenditure			
With outside parties <sup>(2)</sup>	Internal to the Govern- ment	Total	From outside parties	Internal to the Govern- ment	With outside parties <sup>(2)</sup>	Internal to the Govern- ment	Total	
11,418		11,418			11,418		11,418	1,107
10,052		10,052			10,052		10,052	— 23
6,330		6,330			6,330		6,330	70
2,492		2,492			2,492		2,492	88
3,745		3,745			3,745		3,745	171
2,418		2,418			2,418		2,418	83
1,863	9	1,872			1,863	9	1,872	149
1,985	1	1,986			1,985	1	1,986	— 28
2,053	1	2,054			2,053	1	2,054	— 259
1,458	1	1,459			1,458	1	1,459	77
1,657		1,657			1,657		1,657	— 228
1,040	9	1,049	6	9	1,034		1,034	— 11
4,466	969	5,435	401	969	4,065		4,065	102
50,977	990	51,967	407	978	50,570	12	50,582	1,298
17,641	357	17,998	2,790	329	14,851	28	14,879	— 3,026
9,021	146	9,167	259	12	8,762	134	8,896	235
5,985		5,985			5,985		5,985	— 44
4,031	1,924	5,955	274	1,904	3,757	20	3,777	640
2,659	2	2,661	20	(1)	2,639	2	2,641	— 161
196		196			196		196	2
90,510	3,419	93,929	3,750	3,223	86,760	196	86,956	— 1,056
22,455	14	22,469			22,455	14	22,469	2,974
112,965	3,433	116,398	3,750	3,223	109,215	210	109,425	1,918

## Reconciliation of Total Net Expenditure

Total net expenditure of \$111,343 million (\$109,425 million in 1985) reported in Table 6.1 differs from the total use of budgetary appropriations of \$103,164 million (\$100,254 million in 1985) reported (by ministry) on the Statement of Source and Disposition of Authorities (Section 2 of this volume). The difference represents transactions of consolidated specified purpose accounts including budgetary transactions internal to the Government and the provision for valuation of loans, investments and advances which is not applied to each appropriation, and the accrual of liabilities related to statutory items and other appropriations. Changes have been made, in 1986, in the valuation and classification of certain assets and liabilities, and in the recognition of international reserves held in the Exchange Fund Account.

Commencing with 1985-86 (1984-85 for the Canadian Ownership Account), the transactions of certain specified purpose accounts are reported with budgetary revenue and expenditure. These accounts are:

- Unemployment Insurance Account;
- Canadian Ownership Account;
- Western Grain Stabilization Account;

- Oil Export Charges Revenue Sharing Account; and,
- Crop Reinsurance Fund.

However, since enabling legislation requires that the transactions in each of these specified purpose accounts be accounted for separately as non-budgetary transactions, the expenditure reported elsewhere in the Public Accounts do not include the expenditure recorded in these accounts.

Therefore, Table 6.2 is a comparative reconciliation of total net expenditure reported in Table 6.1 with other tables and statements appearing elsewhere in Volumes I (Section 4 and remaining portion of this section) and II of the Public Accounts.

**TABLE 6.2**

### RECONCILIATION OF TOTAL NET EXPENDITURE (in millions of dollars)

	1985-86			1984-85		
	\$	\$	\$	\$	\$	\$
Total net expenditure as per Table 6.1 .....			111,343			109,425
Social development envelope—						
Total as per Table 6.1 .....			51,880			50,582
Add: Government's contribution to the Unemployment Insurance Account as per Table 7.2 of this volume .....	2,744			2,788		
Government's contribution as employer to the Unemployment Insurance Account .....	74			76		
Provision for valuation .....				100		
Less: Unemployment insurance benefits as per Table 7.2 of this volume .....	9,834			9,890		
Unemployment Insurance Account's administration expenses as per Table 7.2 of this volume .....	904			911		
Provision for valuation .....	158					
		(8,078)	(8,078)		(7,837)	(7,837)
Total as per Table 4.1 of this volume .....		43,802			42,745	
Economic and regional development envelope—						
Total as per Table 6.1 .....			11,853			14,879
Add: Provision for valuation .....	868					
Government's contribution to the Western Grain Stabilization Account .....	85			117		
Government's contribution as employer to the Unemployment Insurance Account .....	58			54		
Less: Payments of the Western Grain Stabilization Account .....	526			223		
Provision for valuation .....				745		
Oil Export Charges Revenue Sharing Account payments .....	142			269		
Payments of the Crop Reinsurance Fund .....	98					
		245	245		(1,066)	(1,066)
Total as per Table 4.1 of this volume .....		12,098			13,813	

TABLE 6.2

# RECONCILIATION OF TOTAL NET EXPENDITURE—*Concluded*

(in millions of dollars)

	1985-86			1984-85		
	\$	\$	\$	\$	\$	\$
Defence envelope—						
Total as per Table 6.1		9,131			8,896	
Add: Government's contribution as employer to the Unemployment Insurance Account	84			77		
Less: Provision for valuation	47			47		
		37	37		30	30
Total as per Table 4.1 of this volume		9,168			8,926	
Fiscal arrangements envelope—						
Total as per Table 6.1		5,941			5,985	
Add: Provision for valuation					100	100
Total as per Table 4.1 of this volume		5,941			6,085	
Services to Government envelope—						
Total as per Table 6.1		4,417			3,777	
Add: Government's contribution as employer to the Unemployment Insurance Account	21			12		
Less: Provision for valuation	110			27		
		(89)	(89)		(15)	(15)
Total as per Table 4.1 of this volume		4,328			3,762	
External affairs and aid envelope—						
Total as per Table 6.1		2,480			2,641	
Add: Government's contribution as employer to the Unemployment Insurance Account	5			5		
Less: Provision for valuation	364			468		
		(359)	(359)		(463)	(463)
Total as per Table 4.1 of this volume		2,121			2,178	
Parliament envelope—						
Total as per Table 6.1		198			196	
Add: Government's contribution as employer to the Unemployment Insurance Account	3					
Less: Provision for valuation				2		
		3	3		(2)	(2)
Total as per Table 4.1 of this volume		201			194	
Public debt envelope—						
Total as per Table 6.1		25,443			22,469	
Add: Interest credited to the Western Grain Stabilization Account	48			93		
Interest credited to the Unemployment Insurance Account	3					
Provision for valuation	11					
Less: Provision for valuation				11		
		62	62		82	82
Total as per Table 4.1 of this volume		25,505			22,551	
Total net expenditure as per Table 4.1 of this volume		103,164			100,254	

## Expenditure by Standard Object

The standard object presentation of expenditure is related to the goods and services acquired, and transfer payments made, by the Government.

A comparative summary of expenditure by standard object is presented in Table 6.3. Additional details are given in Section 1 (Table 4) of Volume II (Part I).

Transfer payments were the largest category, and accounted for \$47,115 million or 46% of total net expenditure. Payments included fiscal transfer payments to provinces, \$5,403 million; payments under the Public Utilities Income Tax Act, \$299 million; payments for insured health services and extended health care, \$6,386 million; family allowance payments,

\$2,500 million; guaranteed income supplement payments, \$3,319 million; spouse's allowance payments, \$348 million; old age security payments, \$8,858 million; Canada Assistance Plan payments, \$3,876 million; and, post-secondary education payments, \$2,278 million.

Personnel accounted for \$13,330 million or 13% of total net expenditure. The increase of \$422 million was due mainly to higher salary rates.

Public debt charges totalled \$25,505 million or 25% of total net expenditure. The increase of \$2,954 million was due mainly to an increase in unmatured debt.

TABLE 6.3

### EXPENDITURE BY STANDARD OBJECT (in millions of dollars)

		1985-86	1984-85	Increase or decrease ( - )	
				Amount	%
Personnel .....	(1)	13,330	12,908	422	3
Transportation and communications .....	(2)	1,580	1,519	61	4
Information .....	(3)	316	359	- 43	- 12
Professional and special services .....	(4)	2,766	2,700	66	2
Rentals .....	(5)	882	846	36	4
Purchased repair and maintenance .....	(6)	1,141	1,101	40	4
Utilities, materials and supplies .....	(7)	2,244	2,245	- 1	
Construction and acquisition of land, buildings and works .....	(8)	1,587	1,639	- 52	- 3
Construction and/or acquisition of machinery and equipment .....	(9)	2,885	3,318	- 433	- 13
Transfer payments .....	(10)	47,115	49,030	- 1,915	- 4
Public debt charges .....	(11)	25,505	22,551	2,954	13
All other expenditure .....	(12)	9,837	9,010	827	9
Total gross expenditure .....	(1-12)	109,188	107,226	1,962	2
Less: revenue credited to the votes .....	(13)	6,024	6,972	- 948	- 14
Total net expenditure as per Table 6.2 .....	(1-13)	103,164	100,254	2,910	3

Details can be found in Section 1 (Table 4) of Volume II (Part I).



## BUDGETARY EXPENDITURE

## Expenditure by Program

The programs of each department and agency identify the major objectives of the ministry.

A comparative summary of expenditure by program is provided in Table 6.4.

TABLE 6.4

EXPENDITURE BY PROGRAM  
(in millions of dollars)

	1985-86	1984-85	Increase or decrease (-)		1985-86	1984-85	Increase or decrease (-)
<b>AGRICULTURE—</b>				<b>ENVIRONMENT—</b>			
Department—				Department—			
Administration .....	59	56	3	Administration .....	38	49	-11
Agri-food development .....	1,207	1,263	-56	Environmental services .....	375	395	-20
Agri-food regulation and inspection .....	239	204	35	Parks Canada .....	288	310	-22
Canadian forestry service .....	208	192	16		701	754	-53
Canadian Grain Commission .....	38	38					
	1,751	1,753	-2	<b>EXTERNAL AFFAIRS—</b>			
Canadian Dairy Commission .....	4	6	-2	Department—			
Canadian Livestock Feed Board .....	16	19	-3	Canadian interests abroad .....	768	723	45
Canagrex .....		5	-5	Grains and oilseeds .....	9	12	-3
	1,771	1,783	-12	World exhibitions .....	5	11	-6
					782	746	36
<b>COMMUNICATIONS—</b>				Canadian Commercial Corpora- tion .....	16	17	-1
Department—				Canadian International Develop- ment Agency .....	1,269	1,333	-64
Communications and culture .....	310	283	27	International Development Research Centre .....	86	81	5
Canada Council .....	74	73	1	International Joint Commission .....	3	3	
Canadian Broadcasting Corpora- tion .....	857	905	-48		2,156	2,180	-24
Canadian Film Development Corporation .....	76	46	30				
Canadian Radio-television and Telecommunications Commis- sion .....	25	25		<b>FINANCE—</b>			
National Arts Centre Corpora- tion .....	17	15	2	Department—			
National Film Board .....	65	61	4	Financial and economic poli- cies .....	86	90	-4
National Library .....	32	30	2	Public debt .....	25,505	22,551	2,954
National Museums of Canada .....	74	74		Fiscal transfer payments .....	5,702	5,813	-111
Public Archives .....	40	39	1	Canadian Import Tribunal .....	2	2	
	1,570	1,551	19	Inspector general of banks .....	4	2	2
				Special .....	797	(1)	797
<b>CONSUMER AND CORPO- RATE AFFAIRS—</b>				Auditor General .....	32,096	28,458	3,638
Department—				Insurance .....	42	40	2
Canada Post Corporation .....	155	194	-39	Tariff Board .....	24	13	11
Restrictive Trade Practices Com- mission .....	355	516	-161		3	3	
Standards Council of Canada .....	1	1			32,165	28,514	3,651
	6	7	-1				
	517	718	-201	<b>FISHERIES AND OCEANS .....</b>			
					635	721	-86
<b>ECONOMIC AND REGIONAL DEVELOPMENT</b>				<b>GOVERNOR GENERAL .....</b>			
		6	-6		6	6	
<b>EMPLOYMENT AND IMMI- GRATION—</b>							
Department/Canada Employment and Immigration Commis- sion .....				<b>INDIAN AFFAIRS AND NORTHERN DEVELOP- MENT—</b>			
Corporate and special services .....	50	53	-3	Department—			
Employment and insurance .....	4,522	4,809	-287	Administration .....	46	50	-4
Immigration .....	139	128	11	Indian and Inuit affairs .....	1,564	1,488	76
	4,711	4,990	-279	Northern affairs .....	135	155	-20
Immigration Appeal Board .....	5	4	1	Transfer payments to the terri- torial governments .....	586	495	91
	4,716	4,994	-278	Native claims .....	45	63	-18
					2,376	2,251	125
<b>ENERGY, MINES AND RESOURCES—</b>				<b>JUSTICE—</b>			
Department—				Department—			
Administration .....	41	43	-2	Administration of Justice .....	132	134	-2
Energy .....	1,868	3,797	-1,929	Canadian Human Rights Com- mission .....	9	9	
Minerals and earth sciences .....	319	288	31	Commissioner for Federal Judi- cial Affairs .....	107	89	18
	2,228	4,128	-1,900	Federal Court of Canada .....	8	8	
Atomic Energy Control Board .....	21	20	1	Law Reform Commission of Canada .....	5	5	
Atomic Energy of Canada Limited .....	275	326	-51	Offices of the Information and Privacy Commissioners of Canada .....	3	3	
National Energy Board .....	25	24	1	Supreme Court of Canada .....	6	6	
Petro-Canada .....		17	-17	Tax Court of Canada .....	3	3	
Petro-Canada International Assistance Corporation .....	24	60	-36		273	257	16
	2,573	4,575	-2,002				

TABLE 6.4

EXPENDITURE BY PROGRAM—*Continued*  
(in millions of dollars)

	1985-86	1984-85	Increase or decrease (—)		1985-86	1984-85	Increase or decrease (—)
<b>LABOUR—</b>				<b>REGIONAL INDUSTRIAL</b>			
Department .....	151	129	22	EXPANSION—			
Canada Labour Relations Board .....	6	6		Department .....	1,060	1,070	— 10
Canada Mortgage and Housing Corporation .....	1,454	1,965	— 511	Canadair Financial Corporation Inc. ....	1,188	300	888
Canadian Centre for Occupational Health and Safety .....	7	7		Cape Breton Development Corporation .....	120	108	12
	1,618	2,107	— 489	Federal Business Development Bank .....	26	31	— 5
<b>NATIONAL DEFENCE—</b>				Investment Canada .....	10	7	3
Defence services .....	9,154	8,912	242	The de Havilland Aircraft of Canada, Limited .....	50	150	— 100
Defence Construction (1951) Limited .....	14	14			2,454	1,666	788
	9,168	8,926	242				
<b>NATIONAL HEALTH AND WELFARE—</b>				<b>SCIENCE AND TECHNOLOGY—</b>			
Department—				Ministry of State .....	13	7	6
Departmental administration .....	43	44	— 1	National Research Council of Canada—			
Health services and promotion .....	6,441	6,380	61	Scientific and industrial research .....	396	447	— 51
Social services .....	3,984	3,790	194	Scientific and technical information .....	21	21	
Medical services .....	398	377	21		417	468	— 51
Health protection .....	118	114	4	Natural Sciences and Engineering Research Council .....	310	312	— 2
Income security .....	15,100	13,905	1,195	Science Council of Canada .....	4	5	— 1
Fitness and amateur sport .....	68	102	— 34		744	792	— 48
XV Olympic winter games .....	47	45	2				
Medical Research Council .....	26,199	24,757	1,442				
	161	157	4				
	26,360	24,914	1,446				
<b>NATIONAL REVENUE—</b>				<b>SECRETARY OF STATE—</b>			
Customs and Excise .....	416	409	7	Department—			
Taxation .....	700	663	37	Administration and regional operations .....	36	34	2
	1,116	1,072	44	Official languages .....	333	313	20
<b>PARLIAMENT—</b>				Education support .....	2,581	2,492	89
The Senate .....	27	26	1	Citizenship and culture .....	179	203	— 24
House of Commons .....	163	158	5		3,129	3,042	87
Library of Parliament .....	11	10	1	Canadian Advisory Council on the Status of Women .....	3	3	
	201	194	7	Public Service Commission .....	117	113	4
<b>PRIVY COUNCIL—</b>				Social Sciences and Humanities Research Council .....	63	63	
Department—				Status of Women—Office of the Co-ordinator .....	3	3	
Privy Council .....	51	51			3,315	3,224	91
Special .....	51	52	— 1				
Canadian Intergovernmental Conference Secretariat .....	3	3		<b>SOCIAL DEVELOPMENT .....</b>			
Chief Electoral Officer .....	4	94	— 90			3	— 3
Commissioner of Official Languages .....	9	9		<b>SOLICITOR GENERAL—</b>			
Economic Council of Canada .....	8	8		Department .....	120	40	80
Public Service Staff Relations Board .....	9	8	1	Canadian Security Intelligence Service .....	116		116
	84	174	— 90	Correctional Service .....	730	740	— 10
<b>PUBLIC WORKS—</b>				National Parole Board .....	15	14	1
Department—				Royal Canadian Mounted Police—			
Services .....	233	184	49	Law enforcement .....	794	836	— 42
Accommodation .....	528	552	— 24		1,775	1,630	145
Government realty assets support .....	323	436	— 113				
Marine transportation and related engineering works .....	10	12	— 2	<b>SUPPLY AND SERVICES—</b>			
Land transportation and other engineering works .....	63	72	— 9	Department—			
	1,157	1,256	— 99	Services .....	202	205	— 3
National Capital Commission .....	81	97	— 16	Supply .....	27	— 2	29
	1,238	1,353	— 115		229	203	26
				Statistics Canada .....	209	208	1
					438	411	27

TABLE 6.4

EXPENDITURE BY PROGRAM—*Concluded*  
(in millions of dollars)

	Increase or decrease ( - )				Increase or decrease ( - )		
	1985-86	1984-85			1985-86	1984-85	
TRANSPORT—				Employer contributions to in-			
Department—				surance plans .....	207	202	5
Departmental administration....	192	179	13	Temporary assignments .....	1	1	
Marine transportation .....	787	812	- 25	Comptroller General .....	267	259	8
Air transportation .....	676	794	- 118		12	11	1
Surface transportation .....	1,023	1,168	- 145		279	270	9
	2,678	2,953	- 275	VETERANS AFFAIRS—			
Canadian Aviation Safety Board..	18	5	13	Veterans affairs .....	772	764	8
Canadian Transport Commission	680	786	- 106	War Veterans Allowance Board ..	1	1	
Grain Transportation Agency				Pensions Review Board .....	2	1	1
Administrator .....	2	1	1	Canadian Pension Commission ....	756	688	68
Northern Pipeline Agency .....	1	4	- 3	Bureau of pensions advocates .....	5	5	
	3,379	3,749	- 370		1,536	1,459	77
TREASURY BOARD—				Total net expenditure as per Table	6.2 .....	103,164	100,254
Secretariat—						2,910	
Central administration of the							
public service .....	59	56	3				

(1) Less than \$500,000.

Expenditure by Type

Expenditure may be classified under three major types: operating, capital, and transfer payments. Operating expenditures consist of expenditures incurred in conducting the administrative and operating activities of the program; capital expenditures are for the construction and acquisition of fixed

assets; transfer payments represent payments for other than goods and services, made for the purpose of furthering program objectives.

A comparative summary of expenditure by type is presented in Table 6.5.

TABLE 6.5

EXPENDITURE BY TYPE  
(in thousands of dollars)

	Operating		Capital		Transfer payments		Total	
	1985-86	1984-85	1985-86	1984-85	1985-86	1984-85	1985-86	1984-85
<b>AGRICULTURE—</b>								
Department .....	728,068	755,274	156,070	119,305	866,664	878,453	1,750,802	1,753,032
Canadian Dairy Commission .....	3,739	5,780	34	197			3,773	5,977
Canadian Livestock Feed Board .....	1,302	1,308	14	48	15,455	17,302	16,771	18,658
Canagrex .....		5,400						5,400
	733,109	767,762	156,118	119,550	882,119	895,755	1,771,346	1,783,067
<b>COMMUNICATIONS—</b>								
Department .....	234,947	212,701	22,753	25,302	51,823	45,455	309,523	283,458
Canada Council .....	74,244	72,614					74,244	72,614
Canadian Broadcasting Corporation .....	857,347	904,927					857,347	904,927
Canadian Film Development Corporation .....	75,928	45,571					75,928	45,571
Canadian Radio-television and Telecommunications Commission .....	24,703	25,026	327	225			25,030	25,251
National Arts Centre Corporation .....	16,574	14,932					16,574	14,932
National Film Board .....	61,614	58,042	3,202	3,168	259	277	65,075	61,487
National Library .....	31,271	29,656	550	471	38	37	31,859	30,164
National Museums of Canada .....	63,403	62,493	2,175	2,662	8,334	8,568	73,912	73,723
Public Archives .....	37,891	36,583	2,204	2,669			40,095	39,252
	1,477,922	1,462,545	31,211	34,497	60,454	54,337	1,569,587	1,551,379
<b>CONSUMER AND CORPORATE AFFAIRS—</b>								
Department .....	120,239	129,779	5,105	5,767	29,594	58,205	154,938	193,751
Canada Post Corporation .....	355,014	515,831					355,014	515,831
Restrictive Trade Practices Commission .....	1,420	1,393		6			1,420	1,399
Standards Council of Canada .....	5,424	6,612					5,424	6,612
	482,097	653,615	5,105	5,773	29,594	58,205	516,796	717,593

TABLE 6.5

EXPENDITURE BY TYPE—*Continued*

(in thousands of dollars)

	Operating		Capital		Transfer payments		Total	
	1985-86	1984-85	1985-86	1984-85	1985-86	1984-85	1985-86	1984-85
ECONOMIC AND REGIONAL DEVELOPMENT ...		6,137		33		159		6,329
EMPLOYMENT AND IMMIGRATION—								
Department/Canada Employment and Immigration Commission .....	3,549,509	3,584,200	6,230	13,863	1,155,593	1,391,730	4,711,332	4,989,793
Immigration Appeal Board .....	4,562	4,270	21	298			4,583	4,568
	3,554,071	3,588,470	6,251	14,161	1,155,593	1,391,730	4,715,915	4,994,361
ENERGY, MINES AND RESOURCES—								
Department .....	418,188	392,258	37,944	44,627	1,772,571	3,690,929	2,228,703	4,127,814
Atomic Energy Control Board .....	19,874	19,788	258	222	593	443	20,725	20,453
Atomic Energy of Canada Limited .....	275,121	325,536					275,121	325,536
National Energy Board .....	24,727	23,797	328	246			25,055	24,043
Petro-Canada .....		17,040						17,040
Petro-Canada International Assistance Corporation .....	23,800	60,500					23,800	60,500
	761,710	838,919	38,530	45,095	1,773,164	3,691,372	2,573,404	4,575,386
ENVIRONMENT .....	557,825	568,008	120,359	138,782	22,614	47,343	700,798	754,133
EXTERNAL AFFAIRS—								
Department .....	558,851	515,899	58,622	70,461	164,496	159,458	781,969	745,818
Canadian Commercial Corporation .....	15,826	17,617					15,826	17,617
Canadian International Development Agency .....	72,714	72,020	1,097	2,079	1,194,863	1,258,820	1,268,674	1,332,919
International Development Research Centre .....	86,000	81,000					86,000	81,000
International Joint Commission .....	3,150	2,913	31	17			3,181	2,930
	736,541	689,449	59,750	72,557	1,359,359	1,418,278	2,155,650	2,180,284
FINANCE—								
Department .....	26,391,563	22,641,235	2,071	3,319	5,702,015	5,813,601	32,095,649	28,458,155
Auditor General .....	40,981	38,309	1,042	1,060	410	358	42,433	39,727
Insurance .....	24,443	12,922	24	76			24,467	12,998
Tariff Board .....	2,920	2,742	26	35			2,946	2,777
	26,459,907	22,695,208	3,163	4,490	5,702,425	5,813,959	32,165,495	28,513,657
FISHERIES AND OCEANS .....	475,213	480,625	127,534	205,363	31,677	34,780	634,424	720,768
GOVERNOR GENERAL .....	6,173	5,605	112	195			6,285	5,800
INDIAN AFFAIRS AND NORTHERN DEVELOPMENT .....	358,753	392,136	78,469	91,203	1,938,714	1,767,721	2,375,936	2,251,060
JUSTICE—								
Department .....	80,107	75,873	1,789	1,453	49,805	57,043	131,701	134,369
Canadian Human Rights Commission .....	8,705	8,501	97	261			8,802	8,762
Commissioner for Federal Judicial Affairs .....	90,758	74,047	24	14	15,823	15,188	106,605	89,249
Federal Court of Canada .....	8,233	7,566	288	792			8,521	8,358
Law Reform Commission of Canada .....	4,491	4,993	42	54			4,533	5,047
Offices of the Information and Privacy Commissioners of Canada .....	3,118	2,382	65	61			3,183	2,443
Supreme Court of Canada .....	5,751	5,351	114	367	554	552	6,419	6,270
Tax Court of Canada .....	2,997	2,558	216	491			3,213	3,049
	204,160	181,271	2,635	3,493	66,182	72,783	272,977	257,547
LABOUR—								
Department .....	73,876	74,738	2,705	605	74,709	54,211	151,290	129,554
Canada Labour Relations Board .....	5,978	5,645	168	34			6,146	5,679
Canada Mortgage and Housing Corporation .....	1,454,268	1,965,063					1,454,268	1,965,063
Canadian Centre for Occupational Health and Safety .....	6,561	3,910	126	1,639		1,467	6,687	7,016
	1,540,683	2,049,356	2,999	2,278	74,709	55,678	1,618,391	2,107,312
NATIONAL DEFENCE .....	6,432,613	6,013,503	2,332,524	2,567,284	402,713	345,351	9,167,850	8,926,138
NATIONAL HEALTH AND WELFARE—								
Department .....	568,550	576,499	61,439	50,726	25,568,718	24,129,694	26,198,707	24,756,919
Medical Research Council .....	3,613	3,546	18	63	157,699	153,191	161,330	156,800
	572,163	580,045	61,457	50,789	25,726,417	24,282,885	26,360,037	24,913,719
NATIONAL REVENUE—								
Customs and Excise .....	406,839	397,412	8,444	11,130			415,283	408,542
Taxation .....	689,830	646,248	10,382	16,915	53	48	700,265	663,211
	1,096,669	1,043,660	18,826	28,045	53	48	1,115,548	1,071,753
PARLIAMENT—								
The Senate .....	26,045	24,834	262	468	1,134	710	27,441	26,012
House of Commons .....	155,653	148,868	5,379	7,874	1,905	1,023	162,937	157,765
Library of Parliament .....	10,577	10,025	76	157			10,653	10,182
	192,275	183,727	5,717	8,499	3,039	1,733	201,031	193,959



TABLE 6.5

EXPENDITURE BY TYPE—*Concluded*  
(in thousands of dollars)

	Operating		Capital		Transfer payments		Total	
	1985-86	1984-85	1985-86	1984-85	1985-86	1984-85	1985-86	1984-85
<b>PRIVY COUNCIL—</b>								
Department .....	48,806	49,045	1,789	1,758	69	1,199	50,664	52,002
Canadian Intergovernmental Conference Secretariat ..	2,869	2,406	1	7			2,870	2,413
Chief Electoral Officer .....	3,741	78,320	40	105	103	15,069	3,884	93,494
Commissioner of Official Languages .....	9,512	9,149		218			9,512	9,367
Economic Council of Canada .....	8,544	8,138	41	117			8,585	8,255
Public Service Staff Relations Board .....	8,742	8,184	134	67			8,876	8,251
	<i>82,214</i>	<i>155,242</i>	<i>2,005</i>	<i>2,272</i>	<i>172</i>	<i>16,268</i>	<i>84,391</i>	<i>173,782</i>
<b>PUBLIC WORKS—</b>								
Department .....	768,821	778,123	141,410	191,704	246,951	286,567	1,157,182	1,256,394
National Capital Commission .....	81,026	97,055					81,026	97,055
	<i>849,847</i>	<i>875,178</i>	<i>141,410</i>	<i>191,704</i>	<i>246,951</i>	<i>286,567</i>	<i>1,238,208</i>	<i>1,353,449</i>
<b>REGIONAL INDUSTRIAL EXPANSION—</b>								
Department .....	252,567	230,970	3,811	2,840	803,680	836,587	1,060,058	1,070,397
Canadair Financial Corporation Inc .....	1,188,166	300,000					1,188,166	300,000
Cape Breton Development Corporation .....	120,099	107,573					120,099	107,573
Federal Business Development Bank .....	25,929	31,108					25,929	31,108
Investment Canada .....	9,850	6,697	370	66		15	10,220	6,778
The de Havilland Aircraft of Canada, Limited .....	50,000	150,000					50,000	150,000
	<i>1,646,611</i>	<i>826,348</i>	<i>4,181</i>	<i>2,906</i>	<i>803,680</i>	<i>836,602</i>	<i>2,454,472</i>	<i>1,665,856</i>
<b>SCIENCE AND TECHNOLOGY—</b>								
Ministry of State .....	8,780	5,302	584	62	3,518	1,895	12,882	7,259
National Research Council of Canada .....	227,384	254,793	76,710	104,551	112,927	108,615	417,021	467,959
Natural Sciences and Engineering Research Council ..	10,851	8,700	370	2,332	298,976	300,527	310,197	311,559
Science Council of Canada .....	4,282	4,765	20	32			4,302	4,797
	<i>251,297</i>	<i>273,560</i>	<i>77,684</i>	<i>106,977</i>	<i>415,421</i>	<i>411,037</i>	<i>744,402</i>	<i>791,574</i>
<b>SECRETARY OF STATE—</b>								
Department .....	179,198	168,981	3,851	2,337	2,945,574	2,871,014	3,128,623	3,042,332
Canadian Advisory Council on the Status of Women ..	2,330	2,384	94	7			2,424	2,391
Public Service Commission .....	116,311	110,076	1,032	3,181			117,343	113,257
Social Sciences and Humanities Research Council .....	5,748	5,649	228	202	57,234	57,009	63,210	62,860
Status of Women—Office of the Co-ordinator .....	3,092	2,998	17	87			3,109	3,085
	<i>306,679</i>	<i>290,088</i>	<i>5,222</i>	<i>5,814</i>	<i>3,002,808</i>	<i>2,928,023</i>	<i>3,314,709</i>	<i>3,223,925</i>
<b>SOCIAL DEVELOPMENT .....</b>								
		2,668		19				2,687
<b>SOLICITOR GENERAL—</b>								
Department .....	23,879	21,894	665	1,055	95,294	17,322	119,838	40,271
Canadian Security Intelligence Service .....	115,891						115,891	
Correctional Service .....	594,465	606,119	133,975	132,464	1,249	1,306	729,689	739,889
National Parole Board .....	14,690	13,693	94	280			14,784	13,973
Royal Canadian Mounted Police .....	690,199	731,750	76,563	90,901	27,724	13,226	794,486	835,877
	<i>1,439,124</i>	<i>1,373,456</i>	<i>211,297</i>	<i>224,700</i>	<i>124,267</i>	<i>31,854</i>	<i>1,774,688</i>	<i>1,630,010</i>
<b>SUPPLY AND SERVICES—</b>								
Department .....	218,758	188,253	8,899	13,108	1,585	1,198	229,242	202,559
Statistics Canada .....	202,414	198,416	6,027	9,390	205	247	208,646	208,053
	<i>421,172</i>	<i>386,669</i>	<i>14,926</i>	<i>22,498</i>	<i>1,790</i>	<i>1,445</i>	<i>437,888</i>	<i>410,612</i>
<b>TRANSPORT—</b>								
Department .....	1,566,827	1,688,749	774,619	790,344	335,899	473,723	2,677,345	2,952,816
Canadian Aviation Safety Board .....	17,144	4,445	1,020	930			18,164	5,375
Canadian Transport Commission .....	44,292	42,960	452	685	635,427	742,753	680,171	786,398
Grain Transportation Agency Administrator .....	1,932	1,130	86	211	227		2,245	1,341
Northern Pipeline Agency .....	861	3,524					861	3,524
	<i>1,631,056</i>	<i>1,740,808</i>	<i>776,177</i>	<i>792,170</i>	<i>971,553</i>	<i>1,216,476</i>	<i>3,378,786</i>	<i>3,749,454</i>
<b>TREASURY BOARD—</b>								
Secretariat .....	266,660	257,573	339	643	525	563	267,524	258,779
Comptroller General .....	11,501	10,813	98	44			11,599	10,857
	<i>278,161</i>	<i>268,386</i>	<i>437</i>	<i>687</i>	<i>525</i>	<i>563</i>	<i>279,123</i>	<i>269,636</i>
<b>VETERANS AFFAIRS .....</b>								
	<i>307,750<sup>(1)</sup></i>	<i>294,625</i>	<i>2,490</i>	<i>3,253</i>	<i>1,226,081</i>	<i>1,161,125</i>	<i>1,536,321</i>	<i>1,459,003</i>
Total net expenditure as per Table 6.2 .....	<i>52,855,795</i>	<i>48,687,069</i>	<i>4,286,589</i>	<i>4,745,087</i>	<i>46,022,074</i>	<i>46,822,077</i>	<i>103,164,458</i>	<i>100,254,233</i>

<sup>(1)</sup>This amount includes \$2.1 million (standard object 12) which is reported as a transfer payment in Section 7 of Volume II (Part II).



## SUPPLEMENTARY STATEMENTS

### Public Debt Charges

Public debt charges include interest on unmatured debt (including Treasury bills), on specified purpose accounts and on other accounts, cost of issuing new loans, amortization of bond discounts, premiums and commissions, and the costs of servicing the public debt.

The increase of \$2,511 million in public debt charges related to unmatured debt reflects mainly an increase in this debt, which rose from \$172,897 million at March 31, 1985 to

\$201,517 million at March 31, 1986. The increase of \$489 million in public debt charges related to specified purpose accounts was due mainly to an increase in superannuation accounts.

A comparative summary of public debt charges is presented in Table 6.6. Details can be found in Section 8 of Volume II (Part II).

TABLE 6.6

### PUBLIC DEBT CHARGES (in millions of dollars)

	1985-86	1984-85	Increase or decrease (—)
Unmatured debt—			
Marketable bonds—			
Payable in Canadian currency .....	9,058	7,544	1,514
Payable in foreign currencies—			
United States dollars .....	279	178	101
Deutsche marks .....	10	8	2
Swiss francs .....	14	10	4
Japanese yen .....	4		4
	307	196	111
	9,365	7,740	1,625
Canada savings bonds .....	5,177	4,818	359
Special non-marketable bonds—			
Canada Pension Plan Investment Fund .....	37	22	15
Treasury bills .....	5,513	5,216	297
Notes and loans—			
Payable in Canadian currency .....	4		4
Payable in foreign currencies—			
United States dollars .....	411	310	101
Swiss francs .....	51	41	10
Japanese yen .....	113	60	53
	575	411	164
	579	411	168
Servicing costs and costs of issuing new loans .....	101	54	47
Total public debt charges related to unmatured debt .....	20,772	18,261	2,511
Specified purpose accounts—			
Superannuation accounts .....	4,214	3,720	494
Government Annuities Account .....	73	75	— 2
Canada Pension Plan Account .....	152	152	
Deposit and trust accounts .....	104	113	— 9
Other .....	52	46	6
Total public debt charges related to specified purpose accounts .....	4,595	4,106	489
Total public debt charges related to consolidated specified purpose accounts .....	51	93	— 42
Total public debt charges related to other accounts .....	87	91	— 4
Total public debt charges as per Table 6.3 .....	25,505	22,551	2,954

### Expenditure under Statutory Authority

The spending authority provided by statutory appropriations is for specified purposes and for such amounts and such time as the acts prescribe. This spending authority does not generally lapse at the end of the year in which it is granted. Expenditure under such authority accounts for more than half of the total net expenditure each year.

In 1985-86, expenditure under statutory authority amounted to \$67,592 million, accounting for 66% of the total net expenditure of \$103,164 million.

Table 6.7 presents a comparative summary of these statutory expenditures.

TABLE 6.7

EXPENDITURE UNDER STATUTORY AUTHORITY  
(in millions of dollars)

	1985-86	1984-85	Increase or decrease ( - )
Public debt charges .....	25,505	22,551	2,954
Old age security payments .....	8,858	8,216	642
Contributions to the provinces for hospital insurance, medical care and extended health care under Federal-Provincial Fiscal Arrangements and Established Programs Financing Act, 1977 .....	6,386	6,330	56
Federal-provincial fiscal arrangements and public utilities .....	5,702	5,814	- 112
Payments to the provinces under the Canada Assistance Plan .....	3,876	3,635	241
Guaranteed income supplement payments .....	3,319	2,953	366
Government's contribution to the Unemployment Insurance Account .....	2,744	2,788	- 44
Family allowance payments .....	2,500	2,418	82
Post-secondary education payments to provinces .....	2,278	2,265	13
Debt obligations authorized by Appropriation Act No. 4, 1984-85 .....	1,188		1,188
Payments to depositors of Canadian Commercial Bank, CCB Mortgage Investment Corpora- tion and Northland Bank .....	791		791
Payments to railway companies of amounts determined pursuant to the provisions of the Western Grain Transportation Act .....	496	590	- 94
Spouse's allowance payments .....	348	249	99
Interest payments under the Canada Student Loans Act .....	285	207	78
Grants to municipalities and other taxing authorities .....	239	272	- 33
Contributions under the Crop Insurance Act .....	198	188	10
Excess of expenditures over the revenues of the Canada Post Corporation .....	184	347	- 163
Contributions in respect of fishermen's benefits .....	176	159	17
Petroleum compensation .....	- 136	438	- 574
Judges' salaries, allowances and annuities .....	103	86	17
Payments in connection with the Western Grain Stabilization Act .....	84	117	- 33
Canada/Nova Scotia Development Fund .....	81		81
Superannuation, supplementary retirement benefits, death benefits and other pensions— Public Service—			
Government's matching contribution to the Public Service Superannuation Account .....	391	373	18
Statutory payments under the Supplementary Retirement Benefits Act .....	453	421	32
Government's contribution as employer to the Unemployment Insurance Account .....	175	160	15
Government's matching contribution to the Canada and Quebec Pension Plans .....	91	85	6
Government's matching contribution to the Supplementary Retirement Benefits Account .....	72	70	2
Government's matching contribution to the death benefit account .....	7	7	0
Amortization of actuarial deficiency .....	244	356	- 112
	1,433	1,472	- 39
Less: interest applied against amortization of actuarial deficiency and charged as interest on the public debt .....	244	356	- 112
recoveries from revolving funds .....	67	31	36
	311	387	- 76
	1,122	1,085	37
Canadian Forces—			
Government's matching contribution to the Canadian Forces Superannuation Account ..	223	212	11
Statutory payments under the Supplementary Retirement Benefits Act .....	262	236	26
Government's contribution as employer to the Unemployment Insurance Account .....	58	53	5
Government's matching contribution to the Canada and Quebec Pension Plans .....	32	28	4
Government's matching contribution to the Supplementary Retirement Benefits Account .....	24	22	2
Government's matching contribution to the death benefit account .....	2	2	0
Amortization of actuarial deficiency .....	152	202	- 50
	753	755	- 2
Less: interest applied against amortization of actuarial deficiency and charged as interest on the public debt .....	152	202	- 50
	601	553	48
Royal Canadian Mounted Police—			
Government's matching contribution to the Royal Canadian Mounted Police Superan- nuation Account .....	68	67	1
Statutory payments under the Supplementary Retirement Benefits Act .....	20	19	1
Government's contribution as employer to the Unemployment Insurance Account .....	12	11	1
Government's matching contribution to the Canada and Quebec Pension Plans .....	7	6	1
Government's matching contribution to the Supplementary Retirement Benefits Account .....	6	6	0
Amortization of actuarial deficiency .....	11	19	- 8
	124	128	- 4
Less: interest applied against amortization of actuarial deficiency and charged as interest on the public debt .....	11	19	- 8
	113	109	4
Payments under the Defence Services and Royal Canadian Mounted Police Pension Continuation Act .....	17	18	- 1
All other statutory expenditure .....	534	716	- 182
Total .....	67,592	62,104	5,488

## Monthly Total Net Expenditure by Major Spending Ministry

Table 6.8 presents a summary of total net expenditure by month for 1985-86.

**TABLE 6.8**

### MONTHLY TOTAL NET EXPENDITURE BY MAJOR SPENDING MINISTRY

(in millions of dollars)

	Finance	National Health and Welfare	National Defence	Employment and Immigration	Transport	Secretary of State	Energy, Mines and Resources	Regional Industrial Expansion	Indian Affairs and Northern Development	External Affairs	Other	Total
April, 1985 .....	2,309	2,173	363	321	95	228	4	18	223	89	857	6,680
May .....	2,394	2,133	579	464	259	259	232	53	134	165	1,100	7,772
June .....	2,863	2,168	584	426	245	292	297	74	188	89	1,152	8,378
July .....	2,661	2,159	753	410	252	294	- 58	92	205	217	1,177	8,162
August .....	2,462	2,175	779	310	233	245	24	74	233	192	1,130	7,857
September .....	2,634	2,174	709	304	265	310	201	925	206	139	249	8,116
October .....	2,527	2,222	797	356	367	252	281	81	213	171	1,101	8,368
November .....	2,602	2,284	783	348	299	250	165	318	126	165	1,097	8,437
December .....	3,055	2,199	799	325	300	310	220	79	221	167	1,128	8,803
January, 1986 .....	2,599	2,197	625	366	220	293	167	91	205	166	1,394	8,323
February .....	2,504	2,230	811	398	247	219	134	1,306	111	195	- 117	8,038
March .....	3,421	2,166	889	501	186	267	216	126	129	203	1,225	9,329
Supplementary .....	134	80	697	187	411	96	690	- 783	182	198	3,009	4,901
Total net expenditure as per Table 6.2 .....	32,165	26,360	9,168	4,716	3,379	3,315	2,573	2,454	2,376	2,156	14,502	103,164

# SECTION 7

## 1985-86 PUBLIC ACCOUNTS

### Consolidated Specified Purpose Accounts

#### CONTENTS

	<i>Page</i>
Unemployment Insurance Account .....	7.2
Canadian Ownership Account .....	7.3
Oil Export Charges Revenue Sharing Account .....	7.3
Western Grain Stabilization Account .....	7.3
Crop Reinsurance Fund .....	7.3
Supplementary statement—	
Canada Employment and Immigration Commission relating	
to the Unemployment Insurance Account .....	7.4

## CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

Consolidated specified purpose accounts are categories of budgetary revenue and expenditure which report transactions of certain accounts where enabling legislation requires that revenues be earmarked, and that related payments and expenditures be charged against such revenues. Such accounts collect primarily receipts of a tax nature, and include: the Unemployment Insurance Account, the Canadian Ownership Account, the Western Grain Stabilization Account, the Oil Export Charges Revenue Sharing Account and the Crop Reinsurance Fund.

In the past, earmarked revenues were credited to non-budgetary accounts, with related offsetting payments and expenditures charged thereto. Commencing with 1985-86 (1984-85 for the Canadian Ownership Account), the transactions of these

accounts are reported with budgetary revenue and expenditure, in order to provide a more comprehensive reporting of the Government's operating results. The figures of the previous year have been restated for comparative purposes.

Further, enabling legislation requires that the transaction in each of these accounts be accounted for separately. Table 7.1 presents a summary of the balances and transactions of these accounts, in the manner required by legislation.

The financial statements of the Unemployment Insurance Account, together with the Auditor General's report thereon, are presented at the end of this section.

TABLE 7.1

### CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

	April 1/ 1985	Receipts and other credits		Payments and other charges		Net increase or decrease ( - )		
		From outside parties	Internal to the Government	From outside parties	Internal to the Government	March 31/ 1986	1986	1985
	\$	\$	\$	\$	\$	\$	\$	\$
Unemployment Insurance								
Account, Table 7.2 .....	-261,661,420	8,711,788,759	3,587,363,463	10,737,716,855	1,405,495,715	-105,721,768	155,939,652	16,686,193
Less: interest bearing loans .....	4,815,000,000		1,180,000,000		594,000,000	4,229,000,000	-586,000,000	992,000,000
	-5,076,661,420	8,711,788,759	4,767,363,463	10,737,716,855	1,999,495,715	-4,334,721,768	741,939,652	-975,313,807
Canadian Ownership Account .....	1,673,742,836	229,177,065				1,902,919,901	229,177,065	850,158,903
Add: investments made through the Canadian Ownership Account .....	1,656,854,321					1,656,854,321		
Canadian Ownership special charge collected .....	3,330,597,157	229,177,065				3,559,774,222	229,177,065	850,158,903
Oil Export Charges Revenue Sharing Account .....		142,080,122		141,782,404		297,718	297,718	
Western Grain Stabilization Account .....	970,514,445	30,120,996	132,649,665	526,267,177		607,017,929	-363,496,516	38,148,766
Crop Reinsurance Fund .....	170,060,894	47,970,958		97,534,342		120,497,510	-49,563,384	20,418,269
Total .....	-605,488,924	9,161,137,900	4,900,013,128	11,503,300,778	1,999,495,715	-47,134,389	558,354,535	-66,587,869

## Unemployment Insurance Account

The Unemployment Insurance Act provides for a compulsory contributory unemployment insurance program applicable to all employees, with few exceptions.

The Act authorizes an account in the accounts of Canada to be known as the Unemployment Insurance Account.

The Act provides that the following be credited to the Account: (a) premiums, fines, penalties and interest; (b) Government share of benefits paid; (c) refunds of overpayments of benefits, and benefit repayments; (d) amounts for services rendered to other Government departments or agencies, or to the public; (e) amounts provided for any other purpose related to unemployment insurance and authorized by an appropriation administered by the Canada Employment and Immigration Commission; and, (f) interest on the balance of the Account at such rates as the Minister of Finance may author-

ize. The Act also provides that the following be charged to the Account: (a) benefits paid under the Act; (b) costs of administering the Act; and (c) interest on advances made by the Minister of Finance.

Maximum weekly employee premiums were \$10.81 from April 1, 1985 to December 31, 1985 and \$11.63 from January 1, 1986 to March 31, 1986. For the same periods, maximum weekly benefits were \$276 from April 1, 1985 to December 31, 1985 and \$297 from January 1, 1986 to March 31, 1986.

Interest bearing loans are made to the Unemployment Insurance Account, under Section 137(1) of the Unemployment Insurance Act, as a result of deficiencies in contributions from employers and employees. The balance outstanding as at March 31, 1986 bears interest at rates between 10% and 12.5% per annum, and is repayable between September 30, 1986 and March 31, 1988.



TABLE 7.2

# TRANSACTIONS IN THE UNEMPLOYMENT INSURANCE ACCOUNT

(in millions of dollars)

	1985-86	1984-85
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions—		
Employee and employer*	8,957	7,777
Government	2,744	2,788
Investment income	4	2
Interest bearing loans from the Government	594	4,040
	12,299	14,607
<b>PAYMENTS AND OTHER CHARGES—</b>		
Benefits	9,834	9,890
Expenses	904	911
Interest expense	225	741
Repayments of interest bearing loans to the Government	1,180	3,049
	12,143	14,591
Net increase	156	16
Add—Balance at beginning of year	– 262	– 278
Balance at end of year	– 106	– 262

\* Included in employee and employer contributions is \$245 million (\$224 million in 1984-85) from the Government as contribution for employees.

On the Statement of Revenue and Expenditure, receipts and other credits of \$8,712 million (\$7,553 million in 1985), are reported as revenue, while payments and other charges of \$10,738 million (\$10,801 million in 1985), are reported as expenditure.

Receipts and other credits of \$3,587 million (\$7,054 million in 1985) and payments and other charges of \$1,405 million (\$3,790 million in 1985), internal to the operations of the Government, have been eliminated, in order to present transactions with outside parties, only.

## Canadian Ownership Account

This account was established under the authority of Energy, Mines and Resources Vote 5c, Appropriation Act No 4, 1980-81. The account is credited with amounts received from the Canadian Ownership special charge levied to increase public ownership of the oil and gas industry in Canada.

On the Statement of Revenue and Expenditure, receipts and other credits of \$229 million (\$850 million in 1985), are reported as revenue.

## Oil Export Charges Revenue Sharing Account

This account records the share of the oil export charges that is payable to oil producing provinces, in accordance with the Energy Administration Act. The share of oil export charges is in respect of oil produced in, and exported from, the provinces of British Columbia, Alberta, Manitoba and Saskatchewan.

The share pertains to oil export charges collected in 1985-86. Payments made to producing provinces are charged to this account.

On the Statement of Revenue and Expenditure, receipts and other credits of \$142 million (\$269 million in 1985), are reported as revenue, while payments and other charges of \$142 million (\$269 million in 1985), are reported as expenditure.

## Western Grain Stabilization Account

The purpose of the Western Grain Stabilization Act is to protect prairie grain producers from unexpected and large income declines, through the stabilization of returns on the production and sale of wheat, oats, barley, rye, mustard seed, canola and flax seed as well as any other seed that may be prescribed which is: (a) produced in the designated area and, (b) named in Schedule 1 to the Canada Grain Act and designated therein as "Canada Western".

This account records funds for this purpose which are received from:

- levies paid by participating producers—Ranging from 1% to 2¼% of grain sales proceeds to an annual maximum of \$60,000 eligible proceeds per participant;
- Government contributions equal to levies paid by producers plus an additional 2% of the participating eligible grain sales proceeds of all participants; and,
- interest on the amount standing to the credit of the Account, at rates and in accordance with terms and conditions determined by the Minister of Finance.

On the Statement of Revenue and Expenditure, receipts and other credits of \$30 million (\$51 million in 1985), are reported as revenue, while payments and other charges of \$526 million (\$223 million in 1985), are reported as expenditure.

Receipts and other credits of \$133 million (\$210 million in 1985), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties, only.

## Crop Reinsurance Fund

This Fund, established by Section 5(1) of the Crop Insurance Act, provides insurance to participating provinces for costs they incur in operating various crop insurance schemes.

The revenue of the Fund comes from moneys paid by the provinces for the purpose of reinsurance and the expenditure of the Fund are moneys paid to the provinces under the terms of reinsurance agreements.

On the Statement of Revenue and Expenditure, receipts and other credits of \$48 million (\$20 million in 1985), are reported as revenue, while payments and other charges of \$98 million (Nil in 1985), are reported as expenditure.

## SUPPLEMENTARY STATEMENT

### Canada Employment and Immigration Commission relating to the Unemployment Insurance Account

#### AUDITOR'S REPORT

##### TO THE MINISTER OF EMPLOYMENT AND IMMIGRATION

I have examined the balance sheet of the Canada Employment and Immigration Commission relating to the Unemployment Insurance Account as at December 31, 1985 and the statement of revenue, expenses and deficit for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances, except as explained in the following paragraph.

As described in Note 7, the Commission's administration of claimant's record of employment resulted in an overcharge in the government's share of benefits for 1985. It is likely that such overcharges have also existed in previous years. The Commission's estimate of the most likely amount overcharged referred to in Note 7 is subject to imprecisions and has not been recorded in the accounts. Consequently, I was not able to satisfy myself as to the validity of the amount overcharged and accordingly, it is not possible to determine the amount of any adjustment that would be necessary to the amount due to Canada, the government's share of benefits and the accumulated deficit accounts.

In my opinion, except for the effect of any adjustment, described in the preceding paragraph, that would have been necessary had I been able to satisfy myself as to the reasonableness of the amount overcharged in the government's share of benefits, these financial statements present fairly the financial position of the Commission relating to the Unemployment Insurance Account as at December 31, 1985 and the results of its operations for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Kenneth M. Dye, F.C.A.  
Auditor General of Canada

Ottawa, Canada  
August 29, 1986

#### BALANCE SHEET AS AT DECEMBER 31, 1985 (in thousands of dollars)

ASSETS	1985	1984	LIABILITIES AND DEFICIT	1985	1984
Balance of the account with Receiver General for Canada .....	23,947		Balance of the account with Receiver General for Canada .....		125,811
Due from claimants (Note 3) .....	125,179	127,004	Unredeemed warrants .....	114,008	165,124
Due from Canada (Note 4) .....	157,786		Tax deductions from warrants .....	76,508	66,199
			Due to Canada (Note 4) .....		167,534
			Advances from Canada (Note 5) .....	4,487,779	4,147,998
				4,678,295	4,672,666
			Deficit (Note 7) .....	4,371,383	4,545,662
	306,912	127,004		306,912	127,004

Approved by the Commission:

PAUL GAUVIN  
Executive Director  
Finance and Administration

GAETAN LUSSIER  
Chairman

# Canada Employment and Immigration Commission relating to the Unemployment Insurance Account—Continued

## STATEMENT OF REVENUE, EXPENSES AND DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1985 (in thousands of dollars)

	1985	1984
Revenue		
Premiums .....	8,752,844	7,627,117
Penalties .....	13,500	11,687
	8,766,344	7,638,804
Expenses		
Benefits (Note 6 and Schedule) .....	10,117,876	9,859,443
Administration .....	902,286	897,946
Interest on advances from Canada and on the balance of the account with Receiver General for Canada .....	521,620	452,917
Doubtful accounts .....	11,878	10,974
	11,553,660	11,221,280
Excess of expenses over revenue before Gov- ernment's share of benefits .....	2,787,316	3,582,476
Government's share of benefits (Note 7 and Schedule) .....	2,961,595	2,890,388
Excess of revenue over expenses (expenses over revenue) for the year .....	174,279	(692,088)
Deficit at beginning of the year .....	4,545,662	3,853,574
Deficit at end of the year .....	4,371,383	4,545,662

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1985

### 1. Authority and objective

The Canada Employment and Immigration Commission, a departmental corporation named in Schedule B to the Financial Administration Act, administers the Unemployment Insurance Act, 1971 as amended. The objective of the Act is to provide short-term financial relief and other assistance to eligible workers. The financial transactions relating to this objective are reported through the Unemployment Insurance Account.

In the accounts of Canada, the Unemployment Insurance Account was established by Section 131 of the Act. All amounts received under the Act are deposited in the Consolidated Revenue Fund and credited to this Account. Benefits and the cost of administration of the Act are paid out of the Consolidated Revenue Fund and charged to this Account.

Under Part IV of the Act, the Minister of National Revenue is responsible for collecting premiums from employers and employees.

### 2. Accounting policies

#### (a) Premiums

The premiums are recorded based on an estimate of the amount to be collected in the current year and include adjustments between actual and estimated premiums of prior years.

#### (b) Penalties

Penalties, levied pursuant to Section 47 of the Act, are recorded on an accrual basis.

#### (c) Benefits

Benefits represent warrants issued during the year less benefit overpayments identified by the Commission during the year and benefit repayments received and estimated to be receivable under Section 142 of the Act.

#### (d) Administration

The costs of administration of the Act are determined by the Unemployment Insurance Regulations and are charged to the Account by the Commission.

#### (e) Interest

Interest on the balance of the account with Receiver General for Canada and interest on advances from Canada are recorded on an accrual basis.

#### (f) Government's share of benefits

The government's share of benefits is recorded on an accrual basis.

# Canada Employment and Immigration Commission relating to the Unemployment Insurance Account—Continued

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1985—Continued

### 3. Due from claimants

	1985	1984
	(in thousands of dollars)	
Benefit overpayments and penalties ....	102,973	88,215
Less: allowance for doubtful accounts	27,794	21,351
	75,179	66,864
Benefit repayments under Section 142 of the Act .....	50,000	60,140
	125,179	127,004

Uncollectable benefit overpayments and penalties written-off during the year under authority of Section 60(2) of the Regulations amounted to \$5.4 million (1984—\$4.9 million).

### 4. Due from (to) Canada

	1985	1984
	(in thousands of dollars)	
Government's share of benefits (Note 7) .....	27,290	27,835
Premiums .....	132,929	(165,882)
Interest on balance of the account with Receiver General for Canada ..	1,156	978
Administration expenses .....	(3,702)	(30,567)
Benefit repayments .....	142	190
Other .....	(29)	(88)
	157,786	(167,534)

### 5. Advances from Canada

Advances from Canada are made under Section 137 of the Act and the Unemployment Insurance Account Advance Regulations, by means of promissory notes which bear annual interest compounded semi-annually at rates varying from 10.25% to 13.25%. The balance as at December 31 consists of \$4,057 million (\$3,753 million in 1984) in principal and accrued interest of \$431 million (\$395 million in 1984). Of the amount of \$4,057 million in principal, \$1,308 million is repayable in 1986 and \$2,749 million in 1987.

### 6. Overpayments and underpayments of benefits

The large number of claimants to be monitored and the requirement for prompt service require selective internal control procedures rather than universal and therefore the verification of claims is mainly done after claimants have begun to receive benefits.

As a result, overpayments and underpayments of benefits exists which the Commission estimated at \$270 million (\$300 million in 1984) and \$109 million (\$84 million in 1984) respectively. These amounts are included in the benefits for the year.

### 7. Government's share of benefits

The government's share of benefits pursuant to Section 136 of the Act mainly consists of regionally extended benefits paid to claimants who have exhausted their initial benefits and labour force extended benefits if they are entitled. The entitlement of these latter two phases of benefits are determined by the number of insured weeks reported on the claimant's record of employment.

The Commission completed a preliminary study based on a sample of claimants who have drawn the regionally extended benefits in 1985. The study identified that about 10% of claimants did not present all the records of employment during the qualifying period when filing a claim and that 5% of the claimants who have entered in the regionally extended benefit phase could have received initial or labour force extended benefits, instead of the regionally extended benefits. While time did not permit the completion of a detailed statistically viable study, it is estimated that the most likely amount overcharged to the government's share of benefits is between \$44 and \$65 million. This amount has not been recorded in the accounts. The Commission recognizes that overcharges to the government's share of benefits could have existed in previous years. However, it should be noted that the total benefits paid are not affected, merely the sharing of benefits paid between the government and the premium account.

In 1986, the Commission will complete its study to estimate the amount overcharged to Canada in 1985. Prior to 1985, the Commission is unable to estimate any amount overcharged to the government's share of benefits due to the difficulty in obtaining the necessary information and the cost involved. The Commission is undertaking corrective measures to strengthen the claim processing procedure relative to records of employment being filed and used in determining entitlement when a claim is received. Furthermore, it will include procedures in its on-going monitoring to check for compliance to its procedures.

### 8. Contingent liabilities

In the normal course of the operations of the Unemployment Insurance Account, certain appeals against or by the Commission are presently outstanding. In the opinion of management, the result of these appeals will not have a significant impact on the operations of the Unemployment Insurance Account.



# Canada Employment and Immigration Commission relating to the Unemployment Insurance Account—Concluded

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1985—Concluded

## SCHEDULE OF BENEFITS FOR THE YEAR ENDED DECEMBER 31, 1985 (in thousands of dollars)

	1985		1984	
	Total	Government's share	Total	Government's share
Regular .....	8,877,008	2,609,192	8,711,613	2,562,703
Maternity .....	431,268		394,586	
Training .....	232,790	120,311	224,116	118,552
Sickness.....	215,066		199,078	
Job creation .....	132,279	65,455	115,796	59,062
Work sharing .....	25,373		31,377	
Retirement .....	21,108		18,026	
Adoption .....	3,897		3,008	
	9,938,789	2,794,958	9,697,600	2,740,317
Fishing .....	179,087	166,637	161,843	150,071
	10,117,876	2,961,595	9,859,443	2,890,388

In accordance with Sections 136 and 146 of the Unemployment Insurance Act, 1971, the government's share of benefits consists of extended benefits paid under Section 35, Subsections 38(8) and 39(3), and all benefits paid to fishermen less premiums paid by them and their designated employers.

Extended benefits paid under Section 35 of the Act are benefits paid to claimants who have exhausted their initial benefits (and labour force extended benefits, if they are entitled) and who reside in a region where the regional unemployment rate exceeds 4.0 per cent.

Extended benefits under Subsections 38(8) and 39(3) of the Act are benefits paid to claimants on job creation projects or training courses and whose entitlements are not enough to cover the duration of the project or course plus an additional maximum of three weeks of entitlement after the projects or courses end.





# SECTION 8

## 1985-86 PUBLIC ACCOUNTS

### Loans, Investments and Advances

#### CONTENTS

	<i>Page</i>
Crown corporations.....	8.3
Lending institutions.....	8.4
All other .....	8.8
Government of Canada financial interest in Crown corporations .....	8.18
Details of Government of Canada financial interest in Crown corporations .....	8.21
Consolidation of Crown corporations with Government .....	8.22
Financial assistance under budgetary appropriations to Crown corporations .....	8.24
Borrowings by agent Crown corporations .....	8.25
Contingent liabilities of Crown corporations .....	8.26
Other—	
Provincial and territorial governments .....	8.27
National governments including developing countries.....	8.31
International organizations .....	8.34
Veterans' Land Act Fund advances.....	8.38
Joint and mixed enterprises .....	8.39
Miscellaneous.....	8.41
Allowance for valuation .....	8.49
Supplementary statement—	
Recorded uncollected interest .....	8.49

## LOANS, INVESTMENTS AND ADVANCES

Loans, investments and advances is a category of financial claims represented by debt instruments and ownership interests held by the Government of Canada, acquired through the use of parliamentary appropriations. Some of these appropriations permit repayments to be used for further loans and advances. Many appropriations are non-lapsing, that is, unexpended balances may be carried forward from year to year. Details of the use of non-budgetary appropriations, for loans, investments and advances, can be found in the ministerial sections of Volume II (Part I).

Loans, investments and advances are recorded at cost and are subject to valuation to reflect estimated losses on realization. Foreign currency transactions are translated and recorded in Canadian currency equivalents at the exchange rates prevailing at the transaction dates. Loans, investments and advances resulting from foreign currency transactions are, in turn, reported at year-end closing rates of exchange; net gains are credited to revenue as premium and discount on exchange, while net losses are charged to budgetary expenditure of the Department of Finance.

The allowance established to reflect estimated losses on realization of financial claims held by the Government has been authorized by the Minister of Finance and the President of the Treasury Board, under Section 54(2)(b) of the Financial Administration Act.

Revenue received during the year on loans, investments and advances, is credited to return on investments; details are given

in Section 11 of Volume II (Part II). In accordance with stated accounting policies, accrued interest and interest due but not received are not reported as revenue. Table 8.16 gives details of recorded uncollected interest.

Transactions and year-end balances of loans, investments and advances are presented as follows:

- Crown corporations;
- provincial and territorial governments;
- national governments including developing countries;
- international organizations;
- Veterans' Land Act Fund advances;
- joint and mixed enterprises; and,
- miscellaneous.

Transactions and balances are further summarized in Sections 1 and 2 of this volume.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as receipts and other credits, and payments and other charges. In addition, the term "account(s) without current transactions" has been included in some tables, to show the net result of transactions in accounts which were closed out in the previous year.

TABLE 8.1

## LOANS, INVESTMENTS AND ADVANCES

	Net increase or decrease ( - )					
	Receipts and other credits		Payments and other charges			
	April 1/1985	March 31/1986	April 1/1985	March 31/1986	1986	1985
	\$	\$	\$	\$	\$	\$
<b>Crown corporations—</b>						
Lending institutions, Table 8.2—						
Canada Deposit Insurance Corporation .....	40,000,000		895,000,000	935,000,000	895,000,000	40,000,000
Canada Mortgage and Housing Corporation .....	9,859,702,391	455,207,444	260,500,000	9,664,994,947	-194,707,444	-364,569,268
Export Development Corporation .....	889,711,654	72,784,454	9,064,400	825,991,600	-63,720,054	-39,413,952
Farm Credit Corporation .....	4,328,362,035	256,868,398	42,500,000	4,113,993,637	-214,368,398	-171,425,182
Federal Business Development Bank .....	557,000,000	119,000,000		438,000,000	-119,000,000	-157,000,000
	15,674,776,080	903,860,296	1,207,064,400	15,977,980,184	303,204,104	-692,408,402
<b>All other Crown corporations, Table 8.3—</b>						
Air Canada .....	556,688,264	31,581,502		525,106,762	-31,581,502	-18,158,908
Atomic Energy of Canada Limited .....	795,085,088	67,100,805		727,984,283	-67,100,805	-38,133,569
Canada Development Investment Corporation .....	396,398,274	147,122		396,251,152	-147,122	-17,614,322
Canadian National Railways .....	2,853,460,884	8,861,078		2,844,599,806	-8,861,078	-1,995,711
Petro-Canada .....	4,299,126,174			4,299,126,174		
Other .....	1,646,444,667	624,820,734	517,656,787	1,539,280,720	-107,163,947	28,106,859
	10,547,203,351	732,511,241	517,656,787	10,332,348,897	-47,854,454	-47,795,651
Less: allowance for valuation .....	3,800,000,000		100,000,000	3,700,000,000	-100,000,000	100,000,000
<b>Total Crown corporations .....</b>	<b>22,421,979,431</b>	<b>1,636,371,537</b>	<b>1,824,721,187</b>	<b>22,610,329,081</b>	<b>188,349,650</b>	<b>-840,204,053</b>
<b>Other loans, investments and advances—</b>						
Provincial and territorial governments, Table 8.10 .....	1,146,797,106	112,077,896	2,092,052	1,036,811,262	-109,985,844	-66,793,786
National governments including developing countries, Table 8.11 .....	4,386,939,047	89,919,153	231,904,222	4,528,924,116	141,985,069	172,207,804
International organizations, Table 8.12 .....	3,727,169,886	741,923	567,488,118	4,293,856,081	566,746,195	420,870,327
Less: notes payable, Table 8.12 .....	1,195,679,450	536,719,763	189,442,333	1,542,956,880	347,277,430	42,911,274
	2,531,430,436	537,461,686	756,930,451	2,750,899,201	219,468,765	377,959,053
Veterans' Land Act Fund advances less allowance for conditional benefits, Table 8.13 .....	192,362,763	42,482,904	11,148,006	161,027,865	-31,334,898	-31,549,993
Joint and mixed enterprises, Table 8.14 .....	570,829,600		93,595,000	664,424,600	93,595,000	111,005,511
Miscellaneous, Table 8.15 .....	765,669,353	985,030,231	842,138,061	622,777,183	-142,892,170	167,504,740
	9,594,028,305	1,766,971,870	1,937,807,792	9,764,864,227	170,835,922	730,333,329
Less: allowance for valuation .....	5,600,000,000	400,000,000		6,000,000,000	400,000,000	599,000,000
<b>Total other loans, investments and advances .....</b>	<b>3,994,028,305</b>	<b>2,166,971,870</b>	<b>1,937,807,792</b>	<b>3,764,864,227</b>	<b>-229,164,078</b>	<b>131,333,329</b>
<b>Total .....</b>	<b>26,416,007,736</b>	<b>3,803,343,407</b>	<b>3,762,528,979</b>	<b>26,375,193,308</b>	<b>-40,814,428</b>	<b>-708,870,724</b>

## CROWN CORPORATIONS

Loans and advances to, and investments in, Crown corporations represent the balance of financial claims held by the Government against corporations for working capital, capital expenditure and other purposes, investment in the capital stock of corporations, and loans and advances to corporations for re-lending.

A Crown corporation means a parent Crown corporation or a wholly-owned subsidiary; a parent Crown corporation is wholly-owned directly by the Crown; a wholly-owned subsidiary is wholly-owned by one or more parent Crown corporations directly or indirectly through any number of subsidiaries each of which is wholly-owned directly or indirectly by one or more parent Crown corporations. These include the corporations listed in Parts I and II of Schedule C of the Financial Administration Act, the Bank of Canada, the Canada Council, the Canadian Broadcasting Corporation, the Canadian Film Development Corporation, the Canadian Institute for International Peace and Security, the Canadian Wheat Board, the International Development Research Centre, and the National Arts Centre Corporation.

A Crown corporation is ultimately accountable to Parliament, through a minister of the Crown, for the conduct of its affairs. Most of the Crown corporations listed in the schedules to the Financial Administration Act are agents of Her Majesty in right of Canada. This status is granted in one of the following ways:

- (i) designation by Parliament, through a special act of incorporation;
- (ii) statutory authorization; and,
- (iii) proclamation by the Government Companies Operation Act.

Financial statements of parent Crown corporations can be found in Volume III of the Public Accounts. The financial statements of wholly-owned subsidiaries of Crown corporations are also included in that volume whenever their accounts are not consolidated with those of the parent corporation. These financial statements are appended to those of the related parent Crown corporation.

## Lending Institutions

Table 8.2 presents a summary of the balances and transactions for the various types of loans, investments and advances

which were made to Crown corporations whose primary activity is to provide financial assistance.

**TABLE 8.2**

### CROWN CORPORATIONS—LENDING INSTITUTIONS

	Receipts and other credits		Payments and other charges		Net increase or decrease (–)	
	April 1/1985			March 31/1986	1986	1985
	\$	\$	\$	\$	\$	\$
Canada Deposit Insurance Corporation .....	40,000,000		895,000,000	935,000,000	895,000,000	40,000,000
Canada Mortgage and Housing Corporation—						
Capital stock .....	25,000,000			25,000,000		
Housing .....	6,497,403,196	208,181,506	122,000,000	6,411,221,690	– 86,181,506	– 39,336,968
Real estate .....	64,236,353	3,660,474	14,000,000	74,575,879	10,339,526	– 917,322
Joint projects .....	1,394,499,859	125,012,361	117,500,000	1,386,987,498	– 7,512,361	87,684,520
Urban renewal scheme .....	25,494,008	3,783,901		21,710,107	– 3,783,901	– 3,656,539
Student housing projects .....	376,467,682	4,151,296		372,316,386	– 4,151,296	– 5,013,959
Sewage treatment projects .....	1,094,078,337	32,038,875	6,500,000	1,068,539,462	– 25,538,875	– 18,113,495
Ownership assistance .....	382,522,956	78,379,031	500,000	304,643,925	– 77,879,031	– 77,615,505
Account without current transactions .....	9,859,702,391	455,207,444	260,500,000	9,664,994,947	– 194,707,444	– 364,569,268
Export Development Corporation—						
Capital stock .....	688,000,000		9,000,000	697,000,000	9,000,000	76,000,000
Loans .....	201,711,654	72,784,454	64,400	128,991,600	– 72,720,054	– 115,413,952
	889,711,654	72,784,454	9,064,400	825,991,600	– 63,720,054	– 39,413,952
Farm Credit Corporation—						
Contributed capital .....	218,333,000			218,333,000		28,400,000
Notes .....	4,099,510,607	253,022,303	40,000,000	3,886,488,304	– 213,022,303	– 196,976,229
Farm syndicates loan fund .....	10,518,428	3,846,095	2,500,000	9,172,333	– 1,346,095	– 2,848,953
	4,328,362,035	256,868,398	42,500,000	4,113,993,637	– 214,368,398	– 171,425,182
Federal Business Development Bank—						
Paid-in capital .....	294,000,000			294,000,000		
Loans .....	263,000,000	119,000,000		144,000,000	– 119,000,000	– 157,000,000
	557,000,000	119,000,000		438,000,000	– 119,000,000	– 157,000,000
Total .....	15,674,776,080	903,860,296	1,207,064,400	15,977,980,184	303,204,104	– 692,408,402

### Canada Deposit Insurance Corporation

The Corporation was established by the Canada Deposit Insurance Corporation Act, to provide insurance, up to \$60,000 per depositor per institution, on deposits with federal member institutions and approved provincial institutions.

The Corporation is an agent of Her Majesty, reports through the Minister of Finance, and is listed in Part I of Schedule C of the Financial Administration Act.

Section 37 of the Canada Deposit Insurance Corporation Act provides that the Minister of Finance, with the approval of the Governor in Council, may advance to the Corporation amounts by way of loans on such terms and conditions as the Governor in Council may determine. The aggregate of such loans authorized to be outstanding at any time is \$1,500,000,000.

The loans bear interest at rates from 9% to 10.125% per annum, and are repayable between September 26, 1986 and March 9, 1987.

During the year, the Corporation paid interest of \$32.8 million to the Government.

### Canada Mortgage and Housing Corporation

The Corporation was established by the Canada Mortgage and Housing Corporation Act, to promote the construction of new houses, the repair and modernization of existing houses, the improvement of housing and living conditions in Canada, and to promote the development of communities through the provision of infrastructure facilities.

The Corporation is an agent of Her Majesty, reports through the Minister of Labour, and is listed in Part I of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$1,454.3 million from budgetary appropriations. It paid interest of \$858.8 million and transferred \$33.9 million of profit to the Government.

#### Capital stock

The Government's investment in the capital of the Corporation is authorized by Section 17 of the Canada Mortgage and Housing Corporation Act.



*Housing*

Advances have been made to enable the Corporation to lend money under the following sections of the National Housing Act:

- (a) Section 14.1—to rental housing projects on the security of a first mortgage and to sell or purchase loans made on rental housing projects;
- (b) Section 15—to any person to assist in
  - (i) the construction, purchase or improvement of a low-rental housing project;
  - (ii) the purchase of existing buildings and the land upon which they are situated and their conversion into a low-rental housing project; or,
  - (iii) the conversion of existing buildings into a low-rental housing project;
- (c) Section 27.5—to municipalities for selected neighbourhoods for the purpose of improving premises within the neighbourhood in respect of which the contribution is made;
- (d) Section 34.1—to
  - (i) to the owner of a family housing unit or of housing accommodation of the hostel or dormitory type for the purpose of assisting in the repair, rehabilitation or improvement thereof; or,
  - (ii) to a non profit corporation for the purpose of assisting in the conversion of an existing residential building owned by the corporation, to a building containing a different number of family housing units, housing accommodation of the hostel or dormitory type or a different number of hostel or dormitory beds;
- (e) Section 34.18—to co-operatives for the purpose of assisting in the construction, acquisition or improvement of a housing project;
- (f) Section 37.1—to any person that wishes to undertake a project
  - (i) for individuals or families of low income; or,
  - (ii) to meet the needs of individuals resulting from age, infirmity or other disability;
- (g) Section 42—to provinces, municipalities or public housing agencies to assist in the acquisition and the servicing of land for housing purposes;
- (h) Section 43—to a province, municipality or public housing agency for the construction or acquisition of a public housing project;
- (i) Section 58—to a person unable to obtain a loan from an approved lender for construction of a house or housing project; and,
- (j) Section 59—to Indians to assist in the purchase, improvement or construction of housing projects on Indian reserves.

During the year, additional advances were authorized by Labour Votes L25 and L25b, Appropriation Acts No 1, No 2 and No 3, 1985-86.

The advances bear interest at rates from 3.5% to 17.625% per annum, and are repayable over 18 to 50 years, with final instalments between September 30, 1997 and September 30, 2035.

*Real estate*

Section 55 of the National Housing Act authorizes advances to: (a) acquire land or housing projects by way of purchase, lease or otherwise; (b) install services in and effect improvements to or in respect of land acquired, and develop and lay out such land for housing purposes; (c) construct, convert or improve housing projects; and, (d) acquire building materials and equipment and other personal property for use in connection with housing projects.

During the year, additional advances were authorized by Labour Vote L20, Appropriation Acts No 1 and No 2, 1985-86.

The advances bear interest at rates from 4.457% to 16.157% per annum, and are repayable over 50 years, with the final instalment on December 31, 2035.

*Joint projects*

Section 40 of the National Housing Act authorizes advances to undertake projects jointly with the government of any province or any agency thereof, for (a) the acquisition and development of land for housing purposes or for any purpose incidental thereof; (b) the construction of housing projects or housing accommodation of the hostel or dormitory type for sale or for rent; and, (c) the acquisition, improvement and conversion of existing buildings for a housing accommodation of the hostel or dormitory type.

The advances bear interest at rates from 5% to 17.96% per annum, and are repayable over 25 to 50 years, with final instalments between March 31, 2005 and March 31, 2036.

*Urban renewal scheme*

Advances have been made to enable the Corporation to lend money under Section 25 of the National Housing Act, to a province or municipality, to assist in the implementation of an urban renewal scheme.

The advances bear interest at rates from 5.81% to 8.75% per annum, and are repayable over 20 to 50 years, with final instalments between December 31, 1986 and June 30, 1999.

*Student housing projects*

Advances have been made to enable the Corporation to lend money under Section 47 of the National Housing Act, to a province or agency thereof, a municipality or agency thereof, a hospital, school board, university, college, cooperative association or charitable corporation, to assist in (a) the construction, acquisition or improvement of a student housing project; (b) the acquisition of existing buildings and their conversion into a student housing project; or, (c) the conversion of existing buildings into a student housing project.

The advances bear interest at rates from 5% to 10.054% per annum, and are repayable over 20 to 50 years, with final instalments between September 30, 1993 and March 31, 2030.

*Sewage treatment projects*

Advances have been made to enable the Corporation to lend money under Section 51 of the National Housing Act, to any province, municipality or municipal sewerage corporation, to assist in the establishment or expansion of a sewage treatment project, and in the construction of a trunk storm sewer system.

The advances bear interest at rates from 5% to 10.376% per annum, and are repayable over 18 to 50 years, with final instalments between September 30, 1993 and December 31, 2030.

### *Ownership assistance*

Advances have been made to enable the Corporation to lend money under Section 34.15 of the National Housing Act, to assist in (a) the construction of a house or a condominium unit by a person who owns the house or condominium unit and intends to occupy the house, one of the family housing units thereof or the condominium unit, or by a builder who intends to sell the house or condominium unit to a person who will own and occupy the house, one of the family housing units thereof, or the condominium unit; or, (b) the acquisition of a house or condominium unit by a prospective qualified owner.

The advances bear interest at rates from 7.625% to 9.625% per annum, and are repayable over 20 to 50 years, with final instalments between December 31, 1992 and June 30, 2003.

### **Export Development Corporation**

The Corporation was established by the Export Development Act, to facilitate and develop export trade by the provision of loans, insurance, guarantees and other financial facilities.

The Corporation is an agent of Her Majesty, reports through the Secretary of State for External Affairs, and is listed in Part I of Schedule C of the Financial Administration Act.

### *Capital stock*

The Government's investment in the capital of the Corporation is authorized by Section 11 of the Export Development Act.

During the year, the Government subscribed for 90,000 additional shares for a total value of \$9 million.

### *Loans*

Loans to the Corporation are authorized by Sections 12 and 13 of the Export Development Act. Pursuant to Section 12, the Corporation may borrow money from public and private sources by any means, including the issue and sale of bonds, debentures, notes or other evidences of indebtedness of the Corporation. Pursuant to Section 13, loans to the Corporation may be made out of the Consolidated Revenue Fund on terms and conditions fixed by the Minister of Finance.

Section 14 limits the Corporation's outstanding borrowings under Sections 12 and 13 to an amount equal to ten times the aggregate of the paid-in capital of the Corporation from time to time and the retained earnings, if any, determined according to the most recent statements of accounts of the Corporation for a financial year, that have been audited by the Auditor General of Canada.

For the purposes of the Export Development Act, Section 31 also authorizes the making of loans by the Government of Canada through the Corporation. These loans are administered by the Corporation on behalf of the Government and are reported further in this section under "National governments

including developing countries" and "Miscellaneous Loans, Investments and Advances".

The loans bear interest at rates from 5.5% to 9.25% per annum, and are repayable over 4 to 15 years, with final instalments between April 15, 1986 and October 15, 1988.

During the year, receipts and other credits included loan repayments of \$72,784,454, while payments and other charges included a valuation adjustment of \$64,400 in respect of loans totalling \$2,000,000 US. The Corporation paid interest of \$15 million to the Government.

### **Farm Credit Corporation**

The Corporation was established by the Farm Credit Act, to assist Canadian farmers to establish and develop sound farm enterprises through the use of long-term credit.

The Corporation is an agent of Her Majesty, reports through the Minister of Agriculture, and is listed in Part I of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$3.5 million from budgetary appropriations.

### *Contributed capital*

The Government's contribution to the capital of the Corporation is authorized by Section 12 of the Farm Credit Act.

The total amount authorized is not to exceed \$225,000,000.

### *Notes*

Promissory notes are issued to the Minister of Finance in respect of loans made pursuant to Section 13 of the Act, to provide the Corporation with funds for making loans to farmers. The total amount of such loans outstanding at any time may not exceed twenty-five times the capital of the Corporation.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) repayable over 20 years, bearing interest at rates from 9% to 12.25% per annum, with final instalments between July 1, 1997 and July 1, 2003, \$993,384,867;
- (b) repayable over 20 years, bearing interest at rates from 6% to 9% per annum, with final instalments between December 1, 1989 and July 1, 1999, \$1,577,782,882;
- (c) repayable over 19 years, bearing interest at rates from 5.75% to 6% per annum, with the final instalment on July 1, 1986, \$15,271,366;
- (d) repayable over 10 years, bearing interest at rates from 11.25% to 12.125% per annum, with final instalments between July 1, 1993 and July 1, 1994, \$657,377,124;
- (e) repayable over 25 years, bearing interest at the rate of 5% per annum, with the final instalment on June 30, 1986, \$1,689,344;
- (f) repayable over 4 years, bearing interest at rates from 10.75% to 11% per annum, with the final instalment on July 1, 1989, \$546,658,642; and,
- (g) repayable over 5 years, bearing interest at rates from 10.375% to 12.75% per annum, with final instalments between July 1, 1990 and July 1, 1991, \$94,324,079.

During the year, the Corporation paid interest of \$401.5 million to the Government.

#### *Farm syndicates loan fund*

Advances have been made by the Minister of Finance, pursuant to Section 8 of the Farm Syndicates Credit Act, to enable the Corporation to make loans. Section 3(1) of the Act allows the Corporation to make loans to a farm syndicate for:

- (a) the purchase of farm machinery;
- (b) the purchase, erection or improvement of buildings; or,
- (c) the purchase or improvement of land on which buildings are or are to be erected for use primarily by the syndicate or its members, in their farming operations.

The total amount authorized to be outstanding at any time is \$25,000,000.

The terms and conditions of the advances, with their year-end balances, are as follows:

- (a) repayable over 5 years, bearing interest at rates from 11% to 16.5% per annum, with final instalments between July 1, 1986 and July 1, 1989, \$5,279,476; and,
- (b) repayable over 7 years, bearing interest at rates from 9.375% to 10.75% per annum, with final instalments between July 1, 1992 and July 1, 1993, \$3,892,857.

During the year, the Corporation paid interest of \$1.2 million to the Government.

#### **Federal Business Development Bank**

The Corporation was established by the Federal Business Development Bank Act, to promote and assist in the establishment and development of business enterprises in Canada, by providing financial assistance, management counselling, management training, information and advice, and such other services as are ancillary or incidental to any of the foregoing.

The Corporation is an agent of Her Majesty, reports through the Minister of Regional Industrial Expansion, and is listed in Part I of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$25.9 million from budgetary appropriations.

#### *Paid-in capital*

The Government's contribution to the paid-in capital of the Corporation is authorized by Sections 28 and 52 of the Federal Business Development Bank Act.

#### *Loans*

Loans have been made to the Corporation, pursuant to Section 30 of the Federal Business Development Bank Act, to enable it to achieve its objectives.

The loans bear interest at rates from 8.125% to 10.125% per annum, and are repayable over 1 to 9 years, with final instalments between April 1, 1986 and August 1, 1988.

During the year, the Corporation paid interest of \$20.7 million to the Government.

## All Other Crown Corporations

Table 8.3 presents a summary of the balances and transactions for the various types of loans, investments and advances which were made to Crown corporations engaged in activities other than providing financial assistance.

TABLE 8.3

### ALL OTHER CROWN CORPORATIONS

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease (—)	
	\$	\$	\$	\$	1986	1985
<b>Air Canada—</b>						
Capital stock .....	329,009,000			329,009,000		
Consolidated loan .....	215,198,192	19,100,430		196,097,762	- 19,100,430	- 17,788,708
Winnipeg maintenance hangar .....	12,481,072	12,481,072			- 12,481,072	- 370,200
	556,688,264	31,581,502		525,106,762	- 31,581,502	- 18,158,908
<b>Atomic Energy of Canada Limited—</b>						
Capital stock .....	15,000,000			15,000,000		
Contributed capital .....	149,159,473			149,159,473		
Housing .....	5,531,871	512,972		5,018,899	- 512,972	- 523,607
Bruce heavy water plant .....	107,190,763	10,572,150		96,618,613	- 10,572,150	- 9,804,379
Commercial products division .....	2,849,783	488,434		2,361,349	- 488,434	- 455,987
Gentilly II nuclear power station .....	149,317,800	1,840,164		147,477,636	- 1,840,164	- 1,682,200
Heavy water inventory .....	69,500,000	50,000,000		19,500,000	- 50,000,000	- 3,000,000
Lepreau nuclear station .....	296,218,523	3,490,284		292,728,239	- 3,490,284	- 3,181,477
Sheridan Park engineering design office .....	316,875	196,801		120,074	- 196,801	- 185,919
Accounts without current transactions .....	795,085,088	67,100,805		727,984,283	- 67,100,805	- 38,133,569
<b>Canada Development Investment Corporation...</b>	395,658,315			395,658,315		
Canadair Limited .....	739,959	147,122		592,837	- 147,122	- 13,747,122
Eldorado Nuclear Limited .....						- 3,867,200
Account without current transactions .....	396,398,274	147,122		396,251,152	- 147,122	- 17,614,322
<b>Canadian National Railways—</b>						
Capital stock .....	2,625,877,732			2,625,877,732		6,100,000
Consolidated loan .....	213,483,809	8,765,647		204,718,162	- 8,765,647	- 8,046,203
Yarmouth Bar Harbour ferry services .....	24,508	24,508			- 24,508	- 24,508
<b>Canadian Government Railways—</b>						
Working capital .....	14,074,835	70,923		14,003,912	- 70,923	- 25,000
	2,853,460,884	8,861,078		2,844,599,806	- 8,861,078	- 1,995,711
<b>Petro-Canada—</b>						
Capital stock—Common .....	3,326,354,321			3,326,354,321		
Preferred .....	972,771,853			972,771,853		
	4,299,126,174			4,299,126,174		
	8,900,758,684	107,690,507		8,793,068,177	- 107,690,507	- 75,902,510



TABLE 8.3

ALL OTHER CROWN CORPORATIONS—*Concluded*

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease (—)	
	\$	\$	\$	\$	1986	1985
Other—						
Bank of Canada .....	5,920,000			5,920,000		
Canada Ports Corporation .....	87,649,678	2,678,473		84,971,205	- 2,678,473	- 50,817,833
Saint John Harbour Bridge Authority .....	14,306,914	101,187		14,205,727	- 101,187	- 94,627
	101,956,592	2,779,660		99,176,932	- 2,779,660	- 50,912,460
Canadian Arsenals Limited .....	3,500,000			3,500,000		
Canadian Broadcasting Corporation .....	33,000,000			33,000,000		
Canadian Commercial Corporation .....	10,000,000			10,000,000		
Canadian Dairy Commission .....	116,622,000	381,087,100	330,292,300	65,827,200	- 50,794,800	37,288,000
Canadian Film Development Corporation .....	6,313,935			6,313,935		- 2,739,340
Canadian National (West Indies) Steamships Ltd—						
Capital stock .....	976			976		
Advances .....	324,024			324,024		
	325,000			325,000		
Canadian Patents and Development Limited ..	296,199			296,199		
Canadian Saltfish Corporation .....	12,335,000	95,912,500	101,000,000	17,422,500	5,087,500	- 1,758,500
Cape Breton Development Corporation .....	13,442,244	10,798,825		2,643,419	- 10,798,825	2,073,956
Freshwater Fish Marketing Corporation .....	16,010,205	49,957,616	52,100,000	18,152,589	2,142,384	5,669,957
Halifax Port Corporation .....	25,555,762		6,781,000	32,336,762	6,781,000	25,555,762
Loto Canada Inc .....	1	1			- 1	
Mingan Associates, Ltd. ....						
Montreal Port Corporation .....	141,365,374	319,402		141,045,972	- 319,402	- 300,614
National Capital Commission .....	26,308,948	26,308,948			- 26,308,948	- 4,794,908
Northern Canada Power Commission—						
Loans .....	223,410,629	252,592	3,900,000	227,058,037	3,647,408	- 5,409,997
Advances .....	50,000			50,000		
Working capital .....	7,500,000			7,500,000		
	230,960,629	252,592	3,900,000	234,608,037	3,647,408	- 5,409,997
Northern Transportation Company Limited—						
Capital stock .....	24,900,000	24,900,000			- 24,900,000	
Loans .....	27,205,590	27,205,590			- 27,205,590	- 3,071,188
	52,105,590	52,105,590			- 52,105,590	- 3,071,188
Pêcheries Canada Inc .....	31,499,900			31,499,900		2,998,900
Prince Rupert Port Corporation .....	27,084,979			27,084,979		27,084,979
Royal Canadian Mint .....	12,100,590	3,728,736	21,969,503	30,341,357	18,240,767	- 2,131,785
St John's Port Corporation .....		47,547	1,613,984	1,566,437	1,566,437	
St Lawrence Seaway Authority, The .....	624,950,000			624,950,000		
Jacques Cartier and Champlain Bridges In- corporated, The .....	59,752,867			59,752,867		
	684,702,867			684,702,867		
Telegraph Canada .....	4,577,976	1,361,724		3,216,252	- 1,361,724	- 1,296,616
Uranium Canada, Limited .....	9	9			- 9	
Vancouver Port Corporation .....	81,160,867	160,484		81,000,383	- 160,484	- 149,287
VIA Rail Canada Inc .....	9,300,000			9,300,000		
	1,646,444,667	624,820,734	517,656,787	1,539,280,720	- 107,163,947	28,106,859
Total .....	10,547,203,351	732,511,241	517,656,787	10,332,348,897	- 214,854,454	- 47,795,651

**Air Canada**

The Corporation was established by the Air Canada Act, to provide scheduled domestic and international air services to North America, the British Isles, continental Europe and the Caribbean.

The Corporation is not an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule C of the Financial Administration Act.

During the year, the Corporation paid interest of \$15.8 million to the Government.

**Capital stock**

The Government's investment in the capital of the Corporation is recorded in this account.

**Consolidated loan**

The loan bears interest at the rate of 7.243% per annum, and is repayable in semi-annual instalments over 15 years, with the final instalment on April 13, 1993.

**Winnipeg maintenance hangar**

Loans were made for the purpose of constructing a line maintenance hangar at Winnipeg, Manitoba.

During the year, the loans were repaid in full.



## Atomic Energy of Canada Limited

The Corporation was incorporated pursuant to the Canada Corporations Act, and continued under the Canada Business Corporations Act, to develop the utilization of atomic energy for peaceful purposes.

The Corporation is an agent of Her Majesty, reports through the Minister of Energy, Mines and Resources, and is listed in Part I of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$275.1 million from budgetary appropriations. It paid interest of \$67.7 million to the Government.

### Capital stock

The Government's investment in the capital of the Corporation is recorded in this account.

### Contributed capital

The Government's contribution to the capital of the Corporation is recorded in this account.

### Housing

Loans have been made to finance the construction of housing near the Whiteshell Nuclear Research Establishment.

The loans bear interest at rates from 3.5% to 8.5% per annum, and are repayable in equal monthly instalments over 30 years, with final instalments between December 31, 1986 and June 30, 2003.

### Bruce heavy water plant

Loans have been made to finance the construction of the Bruce heavy water plant at Douglas Point, Ontario.

The loans bear interest at rates from 6.687% to 8.5% per annum, and are repayable in equal monthly instalments over 17 years, with the final instalment on December 31, 1992.

### Commercial products division

Loans have been made to finance the construction of manufacturing facilities and a laboratory at South March, Ontario.

The loans bear interest at rates from 6.687% to 7.625% per annum, and are repayable in equal monthly instalments over 20 years, with final instalments between May 31, 1988 and September 30, 1992.

### Gentilly II nuclear power station

Loans have been made to finance a share in the construction of the CANDU-PHW 600 generating station at Gentilly, under an agreement with the Province of Quebec and Hydro-Quebec.

The loan, consolidated in 1983-84, bears interest at the rate of 9.18% per annum, and is repayable in equal annual instalments over 25 years, with the final instalment on April 7, 2008.

### Heavy water inventory

Loans have been made to finance the production and purchase of heavy water for lease or resale to Canadian and foreign users.

The loans bear interest at the rate of 10% per annum, and are repayable at the end of 10 years, with the final repayment on January 1, 1988.

### Lepreau nuclear station

Loans have been made to finance a share in the construction of the nuclear generating station at Lepreau.

The loan, consolidated in 1980-81, bears interest at the rate of 9.706% per annum, and is repayable in equal annual instalments over 25 years, with the final instalment on April 1, 2008.

### Sheridan Park engineering design office

Loans have been made to finance the construction of office facilities.

The loans bear interest at rates from 5.625% to 6% per annum, and are repayable in equal monthly instalments over 20 years, with the final instalment on October 31, 1986.

## Canada Development Investment Corporation

The Corporation was incorporated pursuant to the Canada Business Corporations Act, to:

- (a) assist in the creation or development of businesses, resources, properties and industries of Canada;
- (b) expand, widen and develop opportunities for Canadians to participate in the economic development of Canada through the application of their skills and capital in any activities carried on by the Corporation;
- (c) invest in the shares or securities of any corporation owning property or carrying on business related to the economic interests of Canada;
- (d) invest in ventures or enterprises, including the acquisition of property, likely to benefit Canada; and,
- (e) carry out all activities in the best interests of Canada, operating in a commercial manner.

The Corporation is an agent of Her Majesty, reports through the Minister of Regional Industrial Expansion, and is listed in Part II of Schedule C of the Financial Administration Act.

During the year, Canadair Financial Corporation Inc., Canadair Limited and The de Havilland Aircraft of Canada, Limited respectively received financial assistance of \$1,188.2 million, \$7.8 million and \$50 million from budgetary appropriations. These three corporations are wholly-owned subsidiaries of the Canada Development Investment Corporation. The de Havilland Aircraft of Canada, Limited was sold on January 31, 1986.

The Government's investment in the capital of the Corporation is recorded in this account. The balance in the account represents the value of 100 common shares of the Corporation without nominal or par value.

*Canadair Limited*

The Corporation was incorporated pursuant to the Canada Corporations Act, and continued under the Canada Business Corporations Act, to manufacture and sell aircraft. The Corporation is a wholly-owned subsidiary of the Canada Development Investment Corporation.

Loans have been made to the Corporation for the financing of water bomber aircraft, such loans to be recovered on the sale of the aircraft.

The loans are non-interest bearing and are repayable only when the aircraft are sold.

*Eldorado Nuclear Limited*

The Corporation was incorporated pursuant to the Canada Corporations Act, and continued under the Canada Business Corporations Act, to provide for the mining and refining of uranium, and the production of nuclear fuel in Canada. The Corporation is a wholly-owned subsidiary of the Canada Development Investment Corporation.

Interest due but not received, totalling \$10,093,433 as of March 31, 1986, was recorded in the accounts of Canada in previous years by being debited to a loan account and credited to an uncollected interest account (see Table 8.16 of this section). Since the Government's policy is to report revenue only as received, this uncollected interest was deducted from the loan account, to present it on a net basis.

**Canadian National Railways**

The Corporation was established by the Canadian National Railways Act, to provide, operate and manage a national system of railways.

The Corporation is not an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$105.4 million from budgetary appropriations.

*Capital stock*

The Government's investment in the capital of the Corporation is recorded in this account.

During the year, the Corporation paid dividends of \$48.4 million to the Government.

*Consolidated loan*

The loan bears interest at the rate of 8.75% per annum, and is repayable in semi-annual instalments over 20 years, with the final instalment on June 30, 1998.

During the year, the Corporation paid interest of \$18.5 million to the Government.

*Yarmouth Bar Harbour ferry services*

Recoverable advances were made for the completion of the ferry terminal at Bar Harbour, Maine, USA.

During the year, the advances were repaid in full.

*Canadian Government Railways—Working capital*

Advances have been made for working capital purposes.

The advances are non-interest bearing and have no repayment dates.

**Petro-Canada**

The Corporation was established by the Petro-Canada Act, to explore for, research, develop, produce and distribute hydrocarbons and other types of fuel and energy, and to engage or invest in ventures related thereto.

The Corporation is an agent of Her Majesty, reports through the Minister of Energy, Mines and Resources, and is listed in Part II of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$23.8 million from budgetary appropriations and paid dividends of \$50 million to the Government.

The Government's investment in the capital of the Corporation is authorized by Sections 5, 22, 24.1 and 25 of the Petro-Canada Act.

**Bank of Canada**

The Bank of Canada was established by the Bank of Canada Act, to regulate credit and currency, in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit, and to mitigate, by its influence, fluctuations in the general levels of production, trade, prices and employment so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of Canada.

The Bank is not an agent of Her Majesty and reports through the Minister of Finance.

The Government's investment in the capital of the Bank is authorized by Section 17 of the Bank of Canada Act. An amount of \$5,000,000 represents the par value of 100,000 shares, and the remaining balance of \$920,000 represents premiums paid in respect of the acquisition, in 1938, of shares held by the public.

During the year, the Bank remitted profit of \$1,880 million to the Government.

**Canada Ports Corporation**

The Corporation was established by the Canada Ports Corporation Act, to administer, manage and control Canadian harbours, and any other harbour, work or property of Canada transferred by the Governor in Council.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$14.1 million from budgetary appropriations.

Under the authority of the Canada Ports Corporation Act, loans are made to finance capital expenditures of various harbours under the jurisdiction of the Canada Ports Corporation. A summary of the balances and transactions for the loans made to various harbours follows:

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986
	\$	\$	\$	\$
Belledune .....	2,207,268	38,947		2,168,321
Sept-Îles .....	2,977,437			2,977,437
Churchill .....	13,693,573			13,693,573
Saint John, NB .....	66,436,841	1,003,875		65,432,966
St John's, Nfld .....	1,613,984	1,613,984		
Chicoutimi .....	720,575	21,667		698,908
	87,649,678	2,678,473		84,971,205

Effective June 1, 1985, the port of St John's was established as a local port corporation under the name of St John's Port Corporation. In accordance with the Canada Ports Corporation Act, the assets, liabilities and equity related to this port were transferred to the new corporation.

During the year, additional loans were authorized by Transport Vote L45, Appropriation Acts No 1 and No 2, 1985-86.

The terms and conditions of the loans, with their year-end balances, are as follows:

- non-interest bearing, having an indefinite maturity date, and requiring no principal repayments, \$55,609,434;
- bearing interest at rates from 11% to 11.875% per annum, repayable in equal annual instalments over 10 years, with final instalments between December 31, 1993 and December 31, 1994, \$10,817,599;
- bearing interest at rates from 6.44% to 15.625% per annum, repayable in equal annual instalments over 20 years, with final instalments between December 31, 2000 and December 31, 2002, \$15,974,377; and,
- bearing interest at the rate of 11.625% per annum, repayable in equal instalments over 20 years, with the final instalment on December 31, 2005, \$2,569,795.

During the year, the Corporation paid interest of \$3.6 million to the Government.

#### *Saint John Harbour Bridge Authority*

Loans have been made to the Saint John Harbour Bridge Authority in respect of a vehicular bridge across the harbour of Saint John. An agreement between Canada, the Province of New Brunswick, the City of Saint John and the Saint John Harbour Bridge Authority, dated July 7, 1966, requires that debentures issued by the Authority and acquired by the Canada Ports Corporation shall be related exclusively to the financing of the total capital costs of the bridge (see also Table 8.15, Miscellaneous Loans, Investments and Advances).

The loans bear interest at rates from 6.687% to 8.5% per annum, and are repayable in equal semi-annual instalments over 50 to 51 years, with final instalments between January 1, 2020 and January 1, 2021.

During the year, the Authority paid interest of \$1 million to the Government.

#### **Canadian Arsenals Limited**

The Corporation was incorporated pursuant to the Canada Corporations Act, and continued under the Canada Business Corporations Act, to maintain an efficient Canadian manufac-

turing capability for certain military materiel for Canadian defence needs and related ammunition products.

The Corporation is an agent of Her Majesty, reports through the Minister of Supply and Services, and is listed in Part I of Schedule C of the Financial Administration Act. The Corporation was authorized to be dissolved pursuant to the Canadian Arsenals Limited Divestiture Authorization Act passed by the House of Commons on April 24, 1986, which received Royal Assent on May 1, 1986. The Corporation was sold on May 9, 1986.

Advances have been made to provide working capital to the Corporation.

The advances are non-interest bearing and have no fixed repayment dates.

#### **Canadian Broadcasting Corporation**

The Corporation was established by the Broadcasting Act, to provide a national broadcasting service in both official languages, and an international broadcasting service predominantly Canadian in content and character.

The Corporation is an agent of Her Majesty and reports through the Minister of Communications.

During the year, the Corporation received financial assistance of \$857.3 million from budgetary appropriations.

Advances have been made to the Corporation, for purposes of working capital. The total amount authorized to be outstanding at any time is \$33,000,000.

The advances are non-interest bearing and are repayable using the amounts on hand (cash and marketable securities) which, at any time, are in excess of what is required by the Corporation for working capital purposes.

#### **Canadian Commercial Corporation**

The Corporation was established by the Canadian Commercial Corporation Act, to assist in the development of international trade, assist persons in obtaining goods from outside Canada, and dispose of goods available for export.

The Corporation is an agent of Her Majesty, reports through the Secretary of State for External Affairs, and is listed in Part I of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$15.8 million from budgetary appropriations.

Section 8(1) of the Canadian Commercial Corporation Act states that advances not exceeding in the aggregate \$10,000,000 may be made available to the Corporation as paid-in capital.

#### **Canadian Dairy Commission**

The Corporation was established by the Canadian Dairy Commission Act, to provide, to efficient producers of milk and cream, the opportunity of obtaining a fair return for their labour and investment, and to provide, to consumers of dairy products, a continuous and adequate supply of high quality dairy products.



The Corporation is an agent of Her Majesty, reports through the Minister of Agriculture, and is listed in Part I of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$304.8 million from budgetary appropriations.

Loans have been made to the Corporation, to finance its dealings in dairy products. The total amount authorized to be outstanding at any time is \$300,000,000.

The loans bear interest at rates from 8.875% to 11.625% per annum, and are repayable within 1 year.

During the year, the Corporation paid interest of \$14.4 million to the Government.

### **Canadian Film Development Corporation**

The Corporation was established by the Canadian Film Development Corporation Act, to foster and promote the development of a feature film industry in Canada.

The Corporation is an agent of Her Majesty and reports through the Minister of Communications.

During the year, the Corporation received financial assistance of \$75.9 million from budgetary appropriations.

The advances are non-interest bearing and have no fixed terms of repayment.

### **Canadian National (West Indies) Steamships Ltd**

The Corporation was incorporated pursuant to the Canada Corporations Act, and continued under the Canada Business Corporations Act, to provide steamship services between Canada and the West Indies.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part I of Schedule C of the Financial Administration Act. The Corporation was authorized to be dissolved pursuant to the Crown Corporations Dissolution Authorization Act.

Steps have been initiated to wind-up the Corporation and assign the accounts receivable to the Minister of Finance. As of the year end, however, dissolution had not taken place because of unresolved legal implications with the BankAmerica International (formerly the Bank of America) and the United States Government.

#### **Capital stock**

The Government's investment in the capital of the Corporation is recorded in this account.

#### **Advances**

The advances are repayable from moneys to be received upon collection of the final instalment on the sale of the eight vessels to Cuban interests which was due to be paid August 19, 1963 by an irrevocable letter of credit issued through the BankAmerica International. However, on July 3, 1963, the United States Cuban Assets Control Regulations became effective which prohibited the BankAmerica International from honouring payment of the draft. Since that time, negotiations to obtain a preferred status, in order to collect the receivable, have not been successful. It is the opinion of management, based on legal counsel, that these moneys plus

applicable interest will be collected when the regulations are repealed.

A waiver of the application of the statute of limitations has been obtained until January 1, 1989, and further extensions will be obtained as required.

### **Canadian Patents and Development Limited**

The Corporation was incorporated pursuant to the Canada Corporations Act, and continued under the Canada Business Corporations Act, to make available to the public through licensing arrangements with industry, the industrial and intellectual property which results from publicly-funded research and development.

The Corporation is an agent of Her Majesty, reports through the Minister of Regional Industrial Expansion, and is listed in Part I of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$350,000 from budgetary appropriations.

The Government's investment in the capital of the Corporation is recorded in this account.

### **Canadian Saltfish Corporation**

The Corporation was established by the Saltfish Act, to improve the earnings of primary producers of cured cod fish.

The Corporation is an agent of Her Majesty, reports through the Minister of Fisheries and Oceans, and is listed in Part I of Schedule C of the Financial Administration Act.

Loans have been made to the Corporation, pursuant to Section 17 of the Saltfish Act, to enable it to carry on its operations.

The aggregate amount of loans authorized to be outstanding at any time, borrowed from all lenders, is \$50,000,000.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) repayable within 1 year, bearing interest at rates from 10.395% to 11.5% per annum, with final instalments between July 20, 1986 and July 27, 1986, \$16,750,000; and,
- (b) repayable over 10 years, bearing interest at rates from 8.875% to 12.375% per annum, with final instalments between March 31, 1986 and September 30, 1990, \$672,500. The final instalment due on March 31, 1986 was received in 1986-87.

During the year, the Corporation paid interest of \$1.6 million to the Government.

### **Cape Breton Development Corporation**

The Corporation was established by the Cape Breton Development Corporation Act, to stimulate economic adjustment and expansion on Cape Breton Island, while rationalizing the coal industry.

The Corporation is an agent of Her Majesty, reports through the Minister of Regional Industrial Expansion, and is listed in Part I of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$120.1 million from budgetary appropriations.

Advances have been made for the purpose of providing working capital for the coal division of the Corporation. The total amount authorized to be outstanding at any time is \$25,000,000.

The advances are non-interest bearing and have no fixed repayment dates.

### **Freshwater Fish Marketing Corporation**

The Corporation was established by the Freshwater Fish Marketing Act, to regulate interprovincial and export trade in freshwater fish, and to market and trade in fish.

The Corporation is an agent of Her Majesty, reports through the Minister of Fisheries and Oceans, and is listed in Part I of Schedule C of the Financial Administration Act.

Loans have been made to the Corporation, pursuant to Section 17 of the Freshwater Fish Marketing Act, to enable it to carry on its operations.

The aggregate amount of loans authorized to be outstanding at any time, borrowed from all lenders, is \$30,000,000.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) repayable over 10 years, bearing interest at rates from 10.125% to 15.625% per annum, with final instalments between March 30, 1989 and March 31, 1992, \$2,652,589; and,
- (b) repayable within 1 year, bearing interest at rates from 8.75% to 9.375% per annum, with final instalments between August 16, 1986 and January 30, 1987, \$15,500,000.

During the year, the Corporation paid interest of \$1.4 million to the Government.

### **Halifax Port Corporation**

The Corporation was established by the Canada Ports Corporation Act, to administer, manage and control the Port of Halifax.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule C of the Financial Administration Act.

Loans have been made to finance capital expenditures related to the Port of Halifax. During the year, additional loans were authorized by Transport Vote L50, Appropriation Acts No 1 and No 2, 1985-86.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) non-interest bearing, having an indefinite maturity date, and requiring no principal repayments, \$25,555,762; and,
- (b) bearing interest at rates from 8.75% to 11.875% per annum, repayable on or before March 31, 1986, \$6,781,000. These short-term loans will be converted into a long-term loan with terms and conditions to be approved by the Minister of Finance.

During the year, the Corporation paid interest of \$99,990 to the Government.

### **Loto Canada Inc**

The Corporation was incorporated pursuant to the Canada Business Corporations Act, to conduct and manage a national lottery in accordance with the National Lottery Regulations.

During the year, the Corporation was legally dissolved pursuant to the Sports Pool and Loto Canada Winding-Up Act.

The Government's investment in the capital of the Corporation was recorded in this account.

### **Mingan Associates, Ltd**

The Corporation was established by letters patent, granted under the laws of the Province of Quebec.

The Corporation is not an agent of Her Majesty, reports through the Minister of Indian Affairs and Northern Development, and is listed in Part I of Schedule C of the Financial Administration Act.

In 1983-84, the Government purchased all of the 21,606 common shares without par value of the Corporation for an amount of \$355,000, which was charged to budgetary expenditure (Indian Affairs and Northern Development Vote 10). These shares were purchased to gain ownership of a parcel of land owned by the Corporation which was required to be converted into reserve land. The Corporation will be wound up within 6 months of the conversion of land.

### **Montreal Port Corporation**

The Corporation was established by the Canada Ports Corporation Act, to administer, manage and control the Port of Montreal.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule C of the Financial Administration Act.

Loans have been made to finance capital expenditures related to the Port of Montreal.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) non-interest bearing, having an indefinite maturity date, and requiring no principal repayments, \$132,994,837; and,
- (b) bearing interest at the rate of 6.25% per annum, repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2000, \$8,051,135.

During the year, the Corporation paid interest of \$0.5 million to the Government.

### **National Capital Commission**

The Corporation was established by the National Capital Act, to prepare plans for, and assist in, the development, conservation and improvement of the National Capital Region, in order that the nature and character of the seat of the Government of Canada may be in accordance with its national significance.



The Corporation is an agent of Her Majesty, reports through the Minister of Public Works, and is listed in Part I of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$81 million from budgetary appropriations.

Loans were made for the purpose of acquiring property in the National Capital Region. During the year, additional loans were authorized by Public Works Vote L85, Appropriation Acts No 1 and No 2, 1985-86.

During the year, the loans were repaid in full and the Corporation paid interest of \$0.6 million to the Government.

### **Northern Canada Power Commission**

The Corporation was established by the Northern Canada Power Commission Act, to construct, purchase, rent or otherwise acquire, operate and maintain electrical power plants within the Northwest Territories and the Yukon Territory and, with the approval of the Governor in Council, but subject to the laws of the provinces, elsewhere in Canada.

The Corporation is an agent of Her Majesty, reports through the Minister of Indian Affairs and Northern Development, and is listed in Part I of Schedule C of the Financial Administration Act.

During the year, the Corporation paid interest of \$23.9 million to the Government.

#### *Loans*

Loans have been made to the Corporation for capital expenditures. During the year, additional loans were made under authority of Indian Affairs and Northern Development Vote L65, Appropriation Acts No 1 and No 2, 1985-86.

The loans bear interest at rates from 4% to 15.625% per annum, and are repayable annually up to March 31, 2024.

#### *Advances*

Section 14 of the Northern Canada Power Commission Act authorized the payment to the Commission of \$50,000 for the purpose of meeting expenditures incurred in carrying out investigations in accordance with Section 13 of the Act.

The advances are non-interest bearing and have no fixed repayment dates.

#### *Working capital*

Loans have been made to the Corporation, for the purpose of maintaining inventories and meeting current liabilities.

The loans are non-interest bearing, and are repayable in 10 equal annual instalments of \$750,000, commencing March 31, 1990. Should any instalment become in arrears, interest at the then current rate is applicable until payment of such instalment.

### **Northern Transportation Company Limited**

The Corporation was incorporated pursuant to the Canada Corporations Act, and continued under the Canada Business Corporations Act, to provide a general transportation service throughout Northern Canada and the Arctic, together with related intermodal services.

The Corporation was authorized to be disposed of pursuant to the Northern Transportation Company Limited Disposal Authorization Act.

During the year, the Corporation received financial assistance of \$1.6 million (a forgiveness pursuant to Section 5 of the Northern Transportation Company Limited Disposal Authorization Act) from budgetary appropriations.

#### *Capital stock*

The Government's investment in the capital of the Corporation was recorded in this account.

During the year, in accordance with an agreement dated July 15, 1985 between Her Majesty and 141606 Canada Limited (the purchaser), all the shares of the Northern Transportation Company Limited were sold for \$27,000,000.

On July 15, 1985, both Corporations were amalgamated under the name of Northern Transportation Company Limited.

As a result of the transaction, an amount of \$2,100,000 was credited to non-tax revenue.

#### *Loans*

Loans were made to the Corporation, to finance the acquisition of transportation facilities for the movement of goods to the Canadian North.

During the year, the loans were repaid in full.

In accordance with Section 5 of the Northern Transportation Company Limited Disposal Authorization Act, an amount of \$1,583,804 was forgiven.

During the year, the Corporation paid interest of \$1.1 million to the Government.

### **Pêcheries Canada Inc**

The Corporation was incorporated pursuant to the Canada Business Corporations Act.

The Corporation is an agent of Her Majesty, reports through the Minister of Regional Industrial Expansion, and is listed in Part I of Schedule C of the Financial Administration Act. The Corporation was sold on April 24, 1986.

The Government's investment in the capital of the Corporation is recorded in this account. This investment, authorized by the Atlantic Fisheries Restructuring Act, was made with the objective of contributing to the restructuring of the Quebec fishing industry.

### **Prince Rupert Port Corporation**

The Corporation was established by the Canada Ports Corporation Act, to administer, manage and control the Port of Prince Rupert.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule C of the Financial Administration Act.

Loans have been made to finance capital expenditures related to the Port of Prince Rupert.

The non-interest bearing loan has an indefinite maturity date, and requires no principal repayment.

### Royal Canadian Mint

The Corporation was established by the Royal Canadian Mint Act, to:

- (a) produce and arrange for the production and supply of coins of the currency of Canada;
- (b) produce coins of the currency of other countries;
- (c) melt, assay, refine, buy and sell gold, silver and other metals for the account of Canada; and,
- (d) make medals, plaques and other things as are incidental to the powers of the Mint.

The Corporation is an agent of Her Majesty, reports through the Minister of Supply and Services, and is listed in Part I of Schedule C of the Financial Administration Act.

Section 18(1)(a) of the Royal Canadian Mint Act states that loans not exceeding in the aggregate \$5,000,000 may be made to the Mint, to meet establishment and operating expenses.

Section 18(1)(b) of the Act states that loans may be made to the Mint, to finance the costs of capital projects approved by the Governor in Council.

Section 18(2) of the Act states that the total amount outstanding at any time, of loans made under Section 18(1), shall not exceed \$35,000,000.

Section 19(2) of the Act states that the aggregate of all amounts loaned to the Mint for temporary purposes and outstanding at any time, shall not exceed \$1,000,000.

The loans bear interest at rates from 7.625% to 12% per annum, and are repayable over 1 to 14 years, with final instalments between April 1, 1986 and April 1, 1998.

During the year, the Corporation paid interest of \$3 million and transferred \$7.4 million of profit to the Government.

### St John's Port Corporation

In accordance with the Canada Ports Corporation Act, effective June 1, 1985, the Port of St John's was established as a local port corporation under the name of St John's Port Corporation, to administer, manage and control the Port of St John's.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule C of the Financial Administration Act.

Pursuant to the Canada Ports Corporation Act, the loan to finance capital expenditures related to the Port of St John's was transferred from the Canada Ports Corporation to this Corporation.

The loan bears interest at the rate of 9.33% per annum, and is repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2000.

During the year, the Corporation paid interest of \$150,585 to the Government.

### The St Lawrence Seaway Authority

The Corporation was established by The St Lawrence Seaway Authority Act, to construct, operate and maintain,

either wholly in Canada or in conjunction with works undertaken by an appropriate authority in the United States, a deep waterway between the Port of Montreal and Lake Erie.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part I of Schedule C of the Financial Administration Act.

The Government's contribution to the capital of the Corporation is recorded in this account.

### *The Jacques Cartier and Champlain Bridges Incorporated*

The Corporation was incorporated pursuant to the Canada Business Corporations Act, to operate and maintain the Jacques Cartier Bridge and the Champlain Bridge, and a portion of the Bonaventure Autoroute, in Montreal (Quebec). The Corporation is a wholly-owned subsidiary of The St Lawrence Seaway Authority.

This account records loans which were transferred from the Canada Ports Corporation.

On December 17, 1981, as per PC 1981-3635, the certificates of indebtedness were cancelled and replaced by a certificate bearing an issue date of April 1, 1981, an indefinite due date, with no repayment of principal, and an interest rate equal to zero percent per annum. Furthermore, accrued and unpaid interest amounting to \$44,513,580 as of March 31, 1981, on the original certificates, are to be treated as not due and payable as of April 1, 1981.

A non-interest bearing advance of \$6,489,605 is reported by the Corporation as being due to the Government. Although this amount has been deleted in the past, from the accounts of Canada, by a direct charge to the accumulated deficit account, it has not been forgiven.

During the year, the Corporation received financial assistance of \$3.9 million from budgetary appropriations.

### Telelobe Canada

The Corporation was established by the Telelobe Canada Act, to establish, maintain and operate, in Canada and elsewhere, external telecommunication services by cable, radiotelegraph, radio-telephone and any other means of telecommunication for the conduct of public communications, and to coordinate Canada's external telecommunication services with those of other parts of the British Commonwealth of Nations.

The Corporation is an agent of Her Majesty, reports through the Minister of Regional Industrial Expansion, and is listed in Part II of Schedule C of the Financial Administration Act.

Section 12 of the Telelobe Canada Act provides that the Minister of Finance, with the approval of the Governor in Council, may pay to the Corporation, for capital purposes, amounts not exceeding \$4,500,000 and, in addition, any other moneys appropriated by Parliament.

The loans bear interest at rates from 3.5% to 5.75% per annum, and are repayable in semi-annual instalments over 15 to 40 years, with final instalments between March 30, 1987 and September 30, 1998.

During the year, the Corporation paid dividends of \$188.1 million and interest of \$186,220 to the Government.

### **Uranium Canada, Limited**

The Corporation was incorporated pursuant to the Canada Corporations Act, and continued under the Canada Business Corporations Act, to provide for the acquisition and sale of uranium concentrates.

During the year, the Corporation was legally dissolved pursuant to the Crown Corporations Dissolution Authorization Act.

The Government's investment in the capital of the Corporation was recorded in this account.

### **Vancouver Port Corporation**

The Corporation was established by the Canada Ports Corporation Act, to administer, manage and control the Port of Vancouver.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule C of the Financial Administration Act.

Loans have been made to finance capital expenditures related to the Port of Vancouver.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) non-interest bearing, having an indefinite maturity date, and requiring no principal repayments, \$76,494,444; and,
- (b) bearing interest at the rate of 7.5% per annum, repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2000, \$4,505,939.

During the year, the Corporation paid interest of \$349,982 to the Government.

### **VIA Rail Canada Inc**

The Corporation was incorporated pursuant to the Canada Business Corporations Act, to revitalize passenger rail services in Canada, and to manage and market them on an efficient commercial basis, reducing the financial burden on the Government.

The Corporation is not an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part I of Schedule C of the Financial Administration Act.

During the year, the Corporation received financial assistance of \$599.8 million from budgetary appropriations.

The Government's investment in the capital of the Corporation is recorded in this account.

## Government of Canada Financial Interest in Crown Corporations

Table 8.4 summarizes the Government's financial interest in its Crown corporations as at March 31, 1986.

In accordance with the accounting policies of the Government, the accounts of Crown corporations are not consolidated with those of the Government and only the financial transactions between the Government and Crown corporations are recorded in the accounts of Canada. Crown corporations are categorized as being either agents or non-agents of the Crown. Agency status is normally expressly stated in the articles of incorporation. Crown corporations are defined to include either parent Crown corporations or wholly-owned subsidiaries. A wholly-owned subsidiary is wholly-owned by one or more parent Crown corporations. This table includes consolidated financial information on parent Crown corporations. Financial information on unconsolidated wholly-owned subsidiary corporations is presented separately. This table summarizes financial information regarding agent and non-agent Crown corporations as at March 31, 1986. This financial information is based on financial statements prepared according to generally accepted private sector accounting principles. For Crown corporations with financial year ends other than March 31, unaudited financial information is included in the table. The table displays "Assets" less "Borrowings and other liabilities", to arrive at "Net assets". "Assets" are further analysed in Table 8.5 "Details of Government of Canada Financial Interest in Crown Corporations" which follows.

In accordance with Section 45 of the Financial Administration Act, the payment of all money borrowed by agent Crown corporations, and interest thereon, is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute unconditional obligations of the Government and are recorded as such in the accounts of Canada net of borrowings expected to be repaid directly by these corporations. Such borrowings are included in the column "Borrowings from other than Government". The amounts which are expected to be repaid by the Government are deducted from this column and are described as the "Allowance for borrowings of agent Crown corporations expected to be repaid by the Government".

Borrowings of non-agent Crown corporations are not obligations of the Government. However, when the Government expressly guarantees such borrowings, they become potential obligations of the Government.

Balances which represent transactions with the Government, and which are recorded in the accounts of Canada include:

long-term obligations to the Government, share capital and contributed surplus as well as claims against the Government. Such balances are described in this table as "Recorded financial interest" of the Government.

"Unrecorded financial interest" represents retained earnings of agent and non-agent Crown corporations adjusted for items which had previously been included in their asset and liability accounts. These adjustments arise from timing differences in the recording of transactions between the Crown corporations and the Government. Crown corporations record amounts payable to or receivable from Government on an accrual basis for such items as income taxes. The accounts of Canada do not include such amounts until payment is either received or made. Such amounts which represent transactions with the Government and which are not recorded in the accounts of Canada are adjusted and reported under "Unrecorded financial interest". They include: grants receivable, current or deferred income taxes receivable or payable, capitalized or accrued interest payable, sundry accounts payable, long-term capitalized leases payable and prepaid expenses related to Canada. "Unrecorded financial interest" adjustments represent funds which will be eventually received or disbursed by Canada. Also added to "Unrecorded financial interest" is the "Allowance for borrowings of agent Crown corporations expected to be repaid by the Government" as previously described. Total financial interest represents recorded and unrecorded financial interest. The minus sign indicates a negative financial interest.

Other information presented in this table includes "Change in financial interest from previous year" which identifies the net increase or decrease since April 1, 1985. The major changes in financial interest, including gross transactions with outside parties, are presented in Table 8.5 "Details of Government of Canada Financial Interest in Crown Corporations". Also included in this table is the "Financial assistance under budgetary appropriations" which summarizes the assistance received by these entities during 1985-86. Details are given in Table 8.7 "Financial Assistance under Budgetary Appropriations to Crown Corporations".

Also, Section 40 of the Financial Administration Act states that "an annual statement of all borrowing transactions on behalf of Her Majesty shall be included in the Public Accounts". A statement of all borrowing transactions on behalf of Her Majesty is included in Section 12 of this volume. Transactions and balances related to Crown corporations are presented in Table 8.8.



TABLE 8.4

GOVERNMENT OF CANADA FINANCIAL INTEREST IN CROWN CORPORATIONS  
AS AT MARCH 31, 1986  
(in thousands of dollars)

Crown corporations <sup>(1)(2)</sup>	Borrowings and other liabilities				Financial interest							Change in financial interest from previous year	Financial assistance under budgetary appropriations
	Assets	Borrowings from other than Government <sup>(3)(4)</sup>	All other liabilities	Net assets	Recorded by the Government					Unrecorded financial interest	Total financial interest		
					Obligations to the Government	Share capital and contributed surplus	Claims against the Government						
Agent Crown corporations													
Atomic Energy of Canada Limited ..	1,104,448	24,284	208,828	871,336	563,825	164,159	1,052	144,404	871,336	-42,791	275,121		
Canada Deposit Insurance Corporation <sup>(5)</sup> ..	1,609,919	1,035,585	922,939	-348,605	935,000		4,588	-1,279,017	-348,605	500,828			
Canada Development Investment Corporation <sup>(6)</sup> ..	1,627,700	531,801	555,606	540,293	593	395,658	77,300	221,342	540,293	892,293	1,245,939		
*Canada Harbour Place Corporation ..	145,182		12,479	132,703				132,703	132,703	75,393	55,609		
*Canada Lands Company (Mirabel) Limited ..	3,173		1,861	1,312				1,312	1,312	-686	8,047		
*Canada Lands Company (Le Vieux-Port de Montréal) Limited ..	1,581		1,607	-26			312	286	-26	1,764	5,919		
*Canada Lands Company (Vieux-Port de Québec) Inc ..	6,039		970	5,069			990	6,059	5,069	4,593	5,475		
Canada Mortgage and Housing Corporation <sup>(7)</sup> ..	10,298,769		978,935	9,319,834	9,639,995	25,000	82,201	-262,960	9,319,834	-29,418	1,454,268		
Canada Museums Construction Corporation Inc ..	100,190		8,903	91,287			60	91,347	91,287	46,500	46,500		
Canada Ports Corporation ..	158,245	19,696	9,376	129,173	99,177		68,368	98,364	129,173	-874	14,127		
Canada Post Corporation ..	2,041,831		764,846	1,276,985			407,089	1,684,074	1,276,985	-32,736	410,107		
Canadian Arsenals Limited ..	104,809		33,285	71,524		3,500	30,990	99,014	71,524	2,954			
Canadian Broadcasting Corporation ..	721,293		251,154	470,139	33,000		21,502	458,641	470,139	63,927	857,347		
Canadian Commercial Corporation ..	390,367		359,737	30,630		10,000	9,089	29,719	30,630	968	15,826		
Canadian Dairy Commission ..	57,681		75,752	-18,071	65,827		61,755	-22,143	-18,071	-42,350	304,773		
Canadian Film Development Corporation ..	4,991		2,877	2,114	6,314		8,187	3,987	2,114	233	75,929		
Canadian Livestock Feed Board ..	622		1,996	-1,374			1,962	588	-1,374	48	16,771		
Canadian National (West Indies) Steamships Ltd <sup>(8)</sup> ..	978		14	964	324	1	95	734	964	99			
Canadian Patents and Development Limited ..	858		606	252		296	250	206	252	-230	350		
Canadian Saltfish Corporation ..	16,617		4,567	12,050	17,423			-5,373	12,050	2,696			
Canadian Sports Pool Corporation <sup>(2)</sup> ..											2,313		
Canadian Wheat Board, The ..	4,914,930	4,060,604	855,232	-906			1,635	729	-906	-2,986	55,057		
Canagrex ..	301		147	154				154	154	-1,692			
Cape Breton Development Corporation ..	449,566		36,648	412,918	2,643		4,307	414,582	412,918	56,299	120,099		
Defence Construction (1951) Limited ..	2,567		4,262	-1,695			28	-1,667	-1,695	1,843	14,300		
Export Development Corporation ..	7,201,861	5,842,278	328,228	1,031,355	128,992	697,000	5,180	210,543	1,031,355	-63,224			
Farm Credit Corporation ..	5,004,636	984,100	33,394	3,987,142	3,895,661	218,333	10,400	-116,452	3,987,142	-360,103	3,546		
Federal Business Development Bank ..	1,579,842	1,183,730	55,517	340,595	144,000	294,000	15,145	-82,260	340,595	-46,248	25,929		
Freshwater Fish Marketing Corporation ..	28,288		9,770	18,518	18,152		103	469	18,518	3,744			
Halifax Port Corporation ..	56,311		1,594	54,717	32,337		4,940	27,320	54,717	9,994			
Montreal Port Corporation ..	129,407		12,701	116,706	141,046		91,685	67,345	116,706	8,842			
National Capital Commission ..	305,042		19,939	285,103			1,355	286,458	285,103	-119,201	81,026		
Northern Canada Power Commission ..	256,756		13,921	242,835	234,608		11,895	20,122	242,835	-1,465			
Northern Transportation Company Limited <sup>(2)</sup> ..											-68,893	1,584	
Pêcheries Canada Inc <sup>(9)</sup> ..	15,704	104	6,777	8,823		31,500		-22,677	8,823	-9,417			
Petro-Canada ..	8,369,245	874,192	2,814,805	4,680,248		4,299,126	102,310	483,432	4,680,248	-1,252,193	23,800		
*Canertech Inc <sup>(10)</sup> ..	12,965		857	12,108				12,108	12,108	-717			
Port of Quebec Corporation ..	46,221		2,994	43,227			27,976	71,203	43,227	3,582			
Prince Rupert Port Corporation ..	74,158		920	73,238	27,085		6,682	52,835	73,238	1,402			
Royal Canadian Mint ..	94,407		29,305	65,102	30,341		15,185	49,946	65,102	18,710			
St John's Port Corporation ..	10,398		628	9,770	1,567		4,127	12,330	9,770				
St Lawrence Seaway Authority, The ..	601,392		26,806	574,586		624,950	43,925	-6,439	574,586	-14,984			
*Seaway International Bridge Corporation, Ltd, The ..	391	8	337	46				46	46				
Telelobe Canada ..	431,179	66,422	91,380	273,377	3,216		28,905	299,066	273,377	-152,008			
Vancouver Port Corporation ..	195,816		13,262	182,554	81,000		37,564	139,118	182,554	11,845			
	48,176,676	14,622,804	8,555,762	24,998,110	16,105,626	6,760,023	1,189,137	3,321,598	24,998,110	-521,576	5,117,449		
Allowance for borrowings of agent Crown corporations expected to be repaid by the Government ..										-1,200,000			
	48,176,676	14,622,804	8,555,762	24,998,110	16,105,626	6,760,023	1,189,137	3,321,598	24,998,110	-1,721,576	5,117,449		



TABLE 8.4

GOVERNMENT OF CANADA FINANCIAL INTEREST IN CROWN CORPORATIONS  
AS AT MARCH 31, 1986—*Concluded*  
(in thousands of dollars)

Crown corporations <sup>(1)(2)</sup>	Assets	Borrowings and other liabilities			Financial interest							Change in financial interest from previous year	Financial assistance under budgetary appropriations
		Borrowings from other than Government <sup>(3)(4)</sup>	All other liabilities	Net assets	Recorded by the Government				Unrecorded financial interest	Total financial interest			
					Obligations to the Government	Share capital and contributed surplus	Claims against the Government						
Non-agent Crown corporations													
Air Canada	2,439,763	1,411,466	403,707	624,590	196,098	329,009	70,877	170,360	624,590	- 184,599			
Atlantic Pilotage Authority	1,127	429	1,133	- 435			614	179	- 435	- 804		611	
Bank of Canada <sup>(11)</sup>	6,594,415		19,615,100	- 13,020,685		5,920	13,674,685	648,080	- 13,020,685	3,529,343			
Canada Council	81,298		25,955	55,343			26,056	81,399	55,343	2,666		74,244	
Canadian Institute for International Peace and Security	341		111	230			1,511	1,741	230	42		2,500	
Canadian National Railway System <sup>(12)</sup>	7,770,452	3,302,039	1,246,392	3,222,021	218,722	2,625,878	145,649	523,070	3,222,021	- 127,978	105,411		
CN Marine Inc.	323,393		72,721	250,672			21,409	272,081	250,672	- 31,132	102,811		
Great Lakes Pilotage Authority, Ltd.	1,042		3,765	- 2,723			346	- 2,377	- 2,723	- 91	3,361		
Harbourfront Corporation	29,343		34,286	- 4,943			6,966	2,023	- 4,943	- 8,374	6,092		
International Centre for Ocean Development	80		45	35				35	35	35	3,300		
International Research Centre	16,400		11,333	5,067			297	5,364	5,067	11,462	86,000		
*Jacques Cartier and Champlain Bridges Incorporated, The	24,627		2,004	22,623	59,753		1,585	- 35,545	22,623	- 2,523	3,855		
Laurentian Pilotage Authority	4,075	900	3,327	- 152			494	342	- 152	- 568	1,956		
Mingan Associates, Ltd. <sup>(13)</sup>	5,814		3,787	2,027				2,027	2,027	1,322	16,574		
National Arts Centre Corporation	18,062,340		1,951	2,889				2,889	2,889	- 4			
Pacific Pilotage Authority	80			80				80	80	- 33			
St Anthony Fisheries Limited													
Societa a responsabilita limitata Immobiliare San Sebastiano	3,238		826	2,412			97	2,509	2,412	- 1,150	5,424		
Standards Council of Canada	762,012		137,911	624,101		9,300	161,641	776,442	624,101	86,730	599,792		
VIA Rail Canada Inc.	18,062,340	4,714,834	21,564,354	- 8,216,848	474,573	2,970,107	14,112,227	2,450,699	- 8,216,848	3,272,442	1,011,931		
Total	66,239,016	19,337,638	30,120,116	16,781,262	16,580,199	9,730,130	15,301,364	5,772,297	16,781,262	1,550,866	6,129,380		

(1) All Crown corporations listed in this table are parent Crown corporations unless indicated by an asterisk(\*).

(2) As a result of an amendment to the Financial Administration Act (FA Act), the St John's Port Corporation was added to this table. The following unconsolidated subsidiaries are reported separately: Canada Lands Company (Mirabel) Limited, Canada Lands Company (Le Vieux Port de Montréal) Limited, Canada Lands Company (Vieux Port de Québec) Inc, Canerect Inc, CN Marine Inc, The Jacques Cartier and Champlain Bridges Incorporated and The Seaway International Bridge Corporation, Ltd. During the year, Parliament approved legislation which received Royal Assent on October 29, 1985 to dissolve Canadian National (West Indies) Steamships Ltd, St Anthony Fisheries Limited, Societa a responsabilita limitata Immobiliare San Sebastiano and Uranium Canada, Limited, and sold the Northern Transportation Company Limited to the Inuvialuit Development Corporation and Nunasi Corporation. Bill C-2, an act respecting the dissolution of the Canadian Sports Pool Corporation and Loto Canada Inc, received Royal Assent on June 20, 1985. Legislation for the dissolution of Canagrex was introduced during the year as well. Subsequent to the year end, Pêcheries Canada Inc was deleted from the FA Act, and legislation concerning the divestiture of Canadian Arsenals Limited received Royal Assent on May 1, 1986.

(3) See Table 8.8—Borrowings by Agent Crown Corporations.

(4) See Table 8.9—Contingent Liabilities of Crown Corporations.

(5) Canada Deposit Insurance Corporation—Unrecorded financial interest consists of premiums credited to the Deposit Insurance Fund plus adjusted accumulated net earnings. Deposits with member institutions insured by the Corporation totalled \$183.7 billion as at April 30, 1986.

(6) Canada Development Investment Corporation (CDIC)—During the year, the Canada Development Investment Corporation sold the shares of The de Havilland Aircraft of Canada, Limited to The Boeing Company. Subsequent to the year end, the Government announced the signing of a Letter of Intent between representatives of CDIC, the Government and Bombardier Inc, which outlines the terms of sale of Canadair Limited to Bombardier Inc. The accounts of Canadair Limited are consolidated with those of CDIC as at March 31, 1986. The borrowings from other than Government of \$531,801 are those of Eldorado Nuclear Limited (\$517,259), another subsidiary of CDIC and Canadair Limited (\$14,542). The separate financial statements of Canadair Limited, The de Havilland Aircraft of Canada, Limited and Eldorado Nuclear Limited, are included in Volume III of the Public Accounts as appendices to the Canada Development Investment Corporation. In June 1985, the Government passed legislation authorizing the Minister of Finance to make arrangements to assume direct responsibility for the repayment of outstanding loan obligations of Canadair Financial Corporation Inc, another subsidiary of CDIC. By the end of March 1986, \$255 million US (\$355 million Cdn) remains outstanding and this amount is reported on the Government's Statement of Assets and Liabilities under "Unmatured debt payable in foreign currencies—Notes and loans".

(7) Canada Mortgage and Housing Corporation—Unrecorded financial interest includes a net deficit of \$459.8 million in insurance and guarantee funds. The estimated amount of insurance in force as at March 31, 1986 was \$38.4 billion.

(8) Canadian National (West Indies) Steamships Ltd—The assets of the Corporation include blocked funds in the Bank of America amounting to \$977 of which \$470 has been due since 1963 in regard to a transaction with Cuban interests and \$507 represents interest due from the Bank of America.

(9) Pêcheries Canada Inc—Financial information used is as of December 31, 1985. Subsequent to year end, the Corporation was sold to the Cooperative agro-alimentaire Purdel.

(10) Canerect Inc is an unconsolidated subsidiary of Petro-Canada and financial information used is as of December 31, 1985.

(11) Bank of Canada—Recorded share capital includes \$920 representing a premium paid in respect of the acquisition in 1938 of shares held by the public. Consequently, unrecorded financial interest has been reduced by \$920.

(12) Canadian National Railway System—Recorded share capital includes a premium of \$19,453 representing the excess of previous years' depreciation not charged to Canadian National Railway's retained earnings over the Government's investments in Canadian Government Railways and Canadian National Railways Company. These investments were charged to budgetary expenditure by the Government of Canada and were credited to shareholder's equity by Canadian National Railways. Consequently, after the capital revision of Canadian National Railways in 1977, the recorded capital stock of the Corporation is \$19,453 less than the recorded investment of the Government. Accordingly, unrecorded financial interest is being reduced by this deficiency. "Borrowings from other than Government" include \$94,790 which is guaranteed by the Government.

(13) Mingan Associates, Ltd.—No financial information available.

Details of Government of Canada Financial Interest in Crown Corporations

Table 8.5 presents balances which appear in Table 8.4 "Government of Canada Financial Interest in Crown Corporations". "Assets" are segregated between "Financial assets" and "Non-financial assets". "Financial assets" comprise cash, short-term investments and accounts receivable; "Non-financial assets" include inventories, prepaid expenses, deferred charges, intangible assets, and fixed assets net of accumulated depreciation.

This table also presents changes in the unrecorded financial interest for the year ended March 31, 1986, by displaying the opening balance, income and expenses and resulting net income (loss), other adjustments and the closing balance for each Crown corporation.

TABLE 8.5

DETAILS OF GOVERNMENT OF CANADA FINANCIAL INTEREST IN CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 1986 (in thousands of dollars)

	Assets			Unrecorded financial interest					
	Financial	Non-financial	Total	Balance at beginning of period	Income	Expenses	Net income/loss (-)	Other adjustments	Balance at end of period
Agent Crown corporations									
Atomic Energy of Canada Limited	960,267	144,181	1,104,448	120,850	283,337	218,871	64,666	-41,112	144,404
Canada Deposit Insurance Corporation	1,609,717	202	1,609,919	-870,642	169,243	547,595	-378,352	-30,023	-1,279,017
Canada Development Investment Corporation	563,700	1,064,000	1,627,700	-740,398	770,227	1,193,401	-423,174	1,384,914	221,342
Canada Harbour Place Corporation	33,682	111,500	145,182	76,510				56,193	132,703
Canada Lands Company (Mirabel) Limited	3,173		3,173	1,998	3,608	8,770	-5,162	4,476	1,312
*Canada Lands Company (Le Vieux-Port de Montréal) Limited	1,566	15	1,581	697	1,422	7,055	-5,633	5,222	286
*Canada Lands Company (Vieux-Port de Québec) Inc	2,346	3,693	6,039	2,047	472	5,794	-5,322	9,334	6,059
Canada Mortgage and Housing Corporation	9,959,170	339,599	10,298,769	-510,450	972,828	1,405,933	-433,105	680,595	-262,960
Canada Museums Construction Corporation Inc.	4,233	95,957	100,190	44,787				46,560	91,347
Canada Ports Corporation	32,842	125,403	158,245	111,402	24,405	30,503	-6,098	-6,940	98,364
Canada Post Corporation	172,460	1,869,371	2,041,831	1,619,754	2,390,892	2,573,907	-183,015	247,335	1,684,074
Canadian Arsenals Limited	4,004	100,805	104,809	85,790	3,786	115,972	-112,186	125,410	99,014
Canadian Broadcasting Corporation	74,507	646,786	721,293	413,685	237,870	1,052,914	-815,044	860,000	458,641
Canadian Commercial Corporation	176,310	214,057	390,367	27,662	767,450	767,631	-181	2,238	29,719
Canadian Dairy Commission	47,395	10,286	57,681	-20,534	540,682	786,181	-245,499	243,890	-22,143
Canadian Film Development Corporation	4,314	677	4,991	1,896	3,866	76,999	-73,133	75,224	3,987
Canadian Livestock Feed Board	622		622	694		16,578	-16,578	16,472	588
Canadian National (West Indies) Steamships Ltd	978		978	635	99		99		734
Canadian Patents and Development Limited	846	12	858	436	1,576	2,286	-710	480	206
Canadian Saltfish Corporation	9,896	6,721	16,617	-2,981	45,540	46,157	-617	-1,775	-5,373
Canadian Sports Pool Corporation				2,687	197		-172	-4,515	
Canadian Wheat Board, The	3,847,072	1,067,858	4,914,930	3,355,218	3,646,349		-111,311	109,282	729
Canagrex	301		301	1,846	152	194	-42	-1,650	154
Cape Breton Development Corporation	39,227	410,339	449,566	344,508	184,290	240,421	-56,131	126,205	414,582
Defence Construction (1951) Limited	2,212	355	2,567	-2,149		13,857	-13,857	14,339	-1,667
Export Development Corporation	7,114,072	87,789	7,201,861	209,914	658,364	650,970	7,394	-6,765	210,543
Farm Credit Corporation	4,930,638	73,998	5,004,636	18,883	515,866	252,649	263,217	-398,552	-116,452
Federal Business Development Bank	1,562,597	17,245	1,579,842	-85,368	223,945	224,866	-921	4,239	-82,260
Freshwater Fish Marketing Corporation	9,279	19,009	28,288	-1,236	48,669	47,097	1,572	133	469
Halifax Port Corporation	2,459	53,852	56,311	28,175	10,962	10,296	666	-1,521	27,320
Montreal Port Corporation	5,135	124,272	129,407	75,523	56,502	48,801	7,701	-15,879	67,345
National Capital Commission	23,940	281,102	305,042	378,903	10,939	77,180	-66,241	-26,204	286,458
Northern Canada Power Commission	20,802	235,954	256,756	25,797	77,789	64,722	13,067	-18,742	20,122
Northern Transportation Company Limited				16,787		10,877	-10,877	-5,910	
Pecheries Canada Inc	6,159	9,545	15,704	-13,260	15,617		25,034	-9,417	-22,627
Petro-Canada	1,286,114	7,083,131	8,369,245	1,763,656	5,586,198	6,269,567	-683,369	-596,855	483,432
*Canertech Inc	12,965	12,965		29,865		877	-877	-16,880	12,108
Port of Quebec Corporation	1,763	44,458	46,221	79,740	9,455	9,965	-510	-8,027	71,203
Prince Rupert Port Corporation	1,073	73,085	74,158	51,244	10,666	8,867	1,799	-208	52,835
Royal Canadian Mint	7,721	86,686	94,407	58,381	950,195	906,561	43,634	-52,069	49,946
St John's Port Corporation	358	10,040	10,398		2,031	1,545	486	11,844	12,330
St. Lawrence Seaway Authority, The	5,373	596,019	601,392	18,247	52,864	80,964	-28,100	3,414	-6,439
*Seaway International Bridge Corporation, Ltd, The	352	39		46	1,542	1,542			46
Telegraphic Canada	112,807	318,372	431,179	430,595	248,055	84,137	163,918	-295,447	299,066
Vancouver Port Corporation	16,353	179,463	195,816	130,109	108,270	91,595	16,675	-7,666	139,118
	32,670,800	15,505,876	48,176,676	3,931,309	18,525,289	21,625,849	-3,100,560	2,490,849	3,321,598
Allowance for borrowings of agent Crown corporations expected to be repaid by the Government				1,200,000				-1,200,000	
	32,670,800	15,505,876	48,176,676	5,131,309	18,525,289	21,625,849	-3,100,560	1,290,849	3,321,598

TABLE 8.5

DETAILS OF GOVERNMENT OF CANADA FINANCIAL INTEREST IN CROWN CORPORATIONS  
FOR THE YEAR ENDED MARCH 31, 1986—*Concluded*  
(in thousands of dollars)

	Assets			Unrecorded financial interest					
	Financial	Non-financial	Total	Balance at beginning of period	Income	Expenses	Net income/loss (-)	Other adjustments	Balance at end of period
<b>Non-agent Crown corporations</b>									
Air Canada	568,614	1,871,149	2,439,763	259,872	2,728,112	2,777,326	- 49,214	- 40,298	170,360
Atlantic Pilotage Authority	455	672	1,127	398	5,660	6,194	- 534	315	179
Bank of Canada	6,471,878	122,537	6,594,415	489,762		147,416	- 147,416	305,734	648,080
Canada Council	69,769	11,529	81,298	72,586	12,467	81,285	- 68,818	77,631	81,399
Canadian Institute for International Peace and Security	124	217	341	1,236		2,221	- 2,221	2,726	1,741
Canadian National Railway System	752,081	7,018,371	7,770,452	567,676	4,342,108	4,697,116	- 355,008	310,402	523,070
CN Marine Inc	22,394	300,999	323,393	289,549	50,668	186,588	- 135,920	118,452	272,081
Great Lakes Pilotage Authority, Ltd	1,015	27	1,042	- 2,632	8,652	11,756	- 3,104	3,359	- 2,377
Harbourfront Corporation	29,112	231	29,343	13,786	11,432	23,162	- 11,730	- 33	2,023
International Centre for Ocean Development			80		77	1,164	- 1,087	1,122	35
International Development Research Centre	12,545	3,855	16,400	- 6,395	5,851	90,757	- 84,906	96,665	5,364
*Jacques Cartier and Champlain Bridges Incorporated, The	3,508	21,119	24,627	- 34,276	6,966	9,429	- 2,463	1,194	- 35,545
Laurentian Pilotage Authority	2,908	1,167	4,075	416	25,351	27,381	- 2,030	1,956	342
Mingan Associates, Ltd									
National Arts Centre Corporation	1,118	4,696	5,814	705	13,271	28,378	- 15,107	16,429	2,027
Pacific Pilotage Authority	3,880	960	4,840	2,893	22,287	22,241	46	- 50	2,889
St Anthony Fisheries Limited	80		80	113	2	35	- 33		80
Societa a responsibilita limitata Immobiliare San Sebastiano					1,150	1,150	- 1,150		
Standards Council of Canada	2,932	306	3,238	4,314	1,169	7,484	- 6,315	4,510	2,509
VIA Rail Canada Inc	53,675	708,337	762,012	638,443	200,032	416,822	- 216,790	354,789	776,442
	7,996,168	10,066,172	18,062,340	2,299,596	7,434,105	8,537,905	- 1,103,800	1,254,903	2,450,699
Total financial interest	40,666,968	25,572,048	66,239,016	7,430,905	25,959,394	30,163,754	- 4,204,360	2,545,752	5,772,297

The accompanying notes to Table 8.4 are an integral part of this table.

## Consolidation of Crown Corporations with Government

Note 5 to the Audited Financial Statements, in Section 2 of this volume, presents a summarized consolidated statement of assets and liabilities together with gross revenue and expenditure.

In accordance with the accounting policy stated in Note 1(i) to the Audited Financial Statements, the assets, liabilities, revenues and expenditures reported in the separate financial statements of Crown corporations are not consolidated in the Government's financial statements. As a consequence, revenues and expenditures reported in the Government's statements include, respectively, amounts received from and paid to these corporations, but exclude corporate revenues and expenditures resulting from transactions with parties other than the Government. Similarly, assets and liabilities reported in the Government's statements include, respectively, amounts owing from and payable to these corporations, but exclude corporate assets and liabilities resulting from transactions with parties other than the Government.

However, the Government provides consolidated information which entails the elimination of transactions between the Government and Crown corporations and between Crown corporations themselves.

Before balances and transactions between the Government and Crown corporations and between Crown corporations themselves can be eliminated, Crown corporations' accounts

must be adjusted to the Government's modified cash basis of accounting. In order to arrive at Crown corporation balances and transactions on the Government's modified cash basis of accounting, adjustments must be made for differences in accounting policies. The differences include accounts receivable, fixed assets, inventories, prepaid expenses, deferred revenues and credits, and other items not recorded on the Government's Statement of Assets and Liabilities. Similarly, revenue must be accounted for strictly on the cash basis and items such as depreciation, gain or loss on disposal of fixed assets including acquisitions and proceeds, are also reversed to revenue or expenditure. In addition, revenues and expenses of Crown corporations related to the Government and other Crown corporations which had been previously excluded for financial interest purposes are now included for consolidation purposes in order to be eliminated.

All such amounts resulting from accounting policy differences and additions are aggregated and deducted from the total financial interest figures shown on Tables 8.4 and 8.5 and are described as "Conversion to the Government's modified cash basis of accounting for consolidation purposes". Government balances and transactions are then added. They are followed by eliminations of reciprocal assets, liabilities, revenues and expenditures between the Government and Crown corporations and Crown corporations themselves to arrive at consolidated totals.

TABLE 8.6

# CONSOLIDATION OF CROWN CORPORATIONS WITH GOVERNMENT

(in thousands of dollars)

	Crown corporations					
	Crown corporations per Tables 8.4 and 8.5	Conversion to the Government's modified cash basis of accounting for consolidation purposes	Total on the modified cash basis of accounting	Government assets, liabilities, revenues, expenditures and accumulated deficit	Elimination of reciprocal assets, liabilities, revenues and expenditures	Consolidated
ASSETS						
Financial assets .....	40,666,968	- 7,590,785	33,076,183	35,789,849	- 24,240,008	44,626,024
Non-financial assets .....	25,572,048	- 25,572,048				
Total assets .....	66,239,016	- 33,162,833	33,076,183	35,789,849	- 24,240,008	44,626,024
LIABILITIES						
Unmatured debt .....	19,337,638		19,337,638	200,694,259	- 14,726,414	205,305,483
Bank of Canada notes in circulation and amounts due depositors .....	17,978,855		17,978,855			
Other liabilities .....	12,141,261	- 701,302	11,439,959	68,591,288	- 2,204,629	77,826,618
Total liabilities .....	49,457,754	- 701,302	48,756,452	269,285,547	- 16,931,043	301,110,956
NET ASSETS/LIABILITIES ( - ) .....	16,781,262	- 32,461,531	- 15,680,269	- 233,495,698	- 7,308,965	- 256,484,932
Obligations to the Government .....	16,580,199		16,580,199		- 16,580,199	
Share capital and contributed surplus .....	9,730,130		9,730,130		- 9,730,130	
Claims against the Government .....	- 15,301,364		- 15,301,364		15,301,364	
	11,008,965		11,008,965		- 11,008,965	
ACCUMULATED DEFICIT, BEGINNING OF YEAR .....						
	7,430,905	- 33,550,708	- 26,119,803	- 199,091,701*	- 4,235,642 8,070,017	- 221,377,129*
REVENUES .....	25,959,394	10,014,747	35,974,141	79,535,293	- 9,399,896 - 5,838,751	100,270,787
EXPENDITURES .....	30,163,754	6,379,818	36,543,572	113,939,290	- 6,342,195 - 8,762,077	135,378,590
Other adjustments .....	2,545,752	- 2,545,752				
ACCUMULATED DEFICIT, END OF YEAR .....	5,772,297	- 32,461,531	- 26,689,234	- 233,495,698	3,700,000	- 256,484,932
	16,781,262	- 32,461,531	- 15,680,269	- 233,495,698	- 7,308,965	- 256,484,932

\*Restated.



## Financial Assistance under Budgetary Appropriations to Crown Corporations

Table 8.7 summarizes financial assistance under budgetary appropriations for both agent and non-agent Crown corporations. It should be read in conjunction with Table 8.4. The purpose for which payments have been made under budgetary appropriations is segregated between: (a) amounts to cover operating expenses and (b) amounts for capital expenditures.

All amounts reported represent charges to appropriations or authorities approved by Parliament.

TABLE 8.7

### FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO CROWN CORPORATIONS FOR THE YEAR ENDED MARCH 31, 1986 (in thousands of dollars)

	Financial assistance under budgetary appropriations <sup>(1)</sup>	Purpose	
		Operations	Capital expenditures
<u>Agent Crown corporations</u>			
Atomic Energy of Canada Limited .....	275,121	244,893	30,228
Canada Development Investment Corporation <sup>(2)</sup> .....	1,245,939	1,245,939	
Canada Harbour Place Corporation .....	55,609		55,609
Canada Lands Company (Mirabel) Limited .....	8,047	8,047	
Canada Lands Company (Le Vieux-Port de Montréal) Limited .....	5,919	5,919	
Canada Lands Company (Vieux-Port de Québec) Inc .....	5,475	5,475	
Canada Mortgage and Housing Corporation <sup>(3)</sup> .....	1,454,268	1,454,268	
Canada Museums Construction Corporation Inc .....	46,500	2,518	43,982
Canada Ports Corporation .....	14,127	14,127	
Canada Post Corporation .....	410,107	410,107	
Canadian Broadcasting Corporation .....	857,347	792,138	65,209
Canadian Commercial Corporation .....	15,826	15,826	
Canadian Dairy Commission .....	304,773	304,773	
Canadian Film Development Corporation .....	75,929	75,929	
Canadian Livestock Feed Board .....	16,771	16,771	
Canadian Patents and Development Limited .....	350	350	
Canadian Wheat Board, The .....	55,057	38,835	16,222
Cape Breton Development Corporation .....	120,099	26,436	93,663
Defence Construction (1951) Limited .....	14,300	14,300	
Farm Credit Corporation .....	3,546	3,546	
Federal Business Development Bank .....	25,929	25,929	
National Capital Commission .....	81,026	50,081	30,945
Northern Transportation Company Limited .....	1,584	1,584	
Petro-Canada .....	23,800	23,800	
	<i>5,117,449</i>	<i>4,781,591</i>	<i>335,858</i>
<u>Non-agent Crown corporations</u>			
Atlantic Pilotage Authority .....	611	611	
Canada Council .....	74,244	74,244	
Canadian Institute for International Peace and Security .....	2,500	2,500	
Canadian National Railway System .....	105,411	105,411	
CN Marine Inc .....	102,811	102,811	
Great Lakes Pilotage Authority, Ltd. ....	3,361	3,361	
Harbourfront Corporation .....	6,092	206	5,886
International Centre for Ocean Development .....	3,300	3,300	
International Development Research Centre .....	86,000	86,000	
Jacques Cartier and Champlain Bridges Incorporated, The .....	3,855	3,855	
Laurentian Pilotage Authority .....	1,956	1,956	
National Arts Centre Corporation .....	16,574	16,574	
Standards Council of Canada .....	5,424	5,424	
VIA Rail Canada Inc .....	599,792	517,747	82,045
	<i>1,011,931</i>	<i>924,000</i>	<i>87,931</i>
Total .....	6,129,380	5,705,591	423,789

<sup>(1)</sup> Excludes grants and contributions paid to agent and non-agent Crown corporations where they qualify as members of a general class of recipients.

<sup>(2)</sup> Canadair Financial Corporation Inc, Canadair Limited and The de Havilland Aircraft of Canada, Limited respectively received assistance under budgetary appropriations of \$1,188,166, \$7,773 and \$50,000.

<sup>(3)</sup> Includes budgetary appropriations for Government programs and insurance funds administered by the Corporation on behalf of the Government.



## Borrowings by Agent Crown Corporations

Table 8.8 summarizes the borrowing transactions by agent Crown corporations made on behalf of Her Majesty. The information is required by Section 40 of the Financial Administration Act. The borrowings are from other than the Government and are reported on the Statement of Assets and Liabilities. Borrowings by non-agent Crown corporations are not included because such borrowings are not on behalf of Her Majesty.

TABLE 8.8

### BORROWINGS BY AGENT CROWN CORPORATIONS (in thousands of dollars)

	April 1, 1985	Borrowings and other charges	Retirements and other credits	March 31, 1986
Atomic Energy of Canada Limited.....	36,263		11,979	24,284
Canada Deposit Insurance Corporation.....	979,963	190,259	134,637	1,035,585
Canada Development Investment Corporation <sup>(1)</sup> .....	1,735,158		1,203,357	531,801
Canada Ports Corporation.....	19,696			19,696
Canadian Saltfish Corporation.....		10	10	
Canadian Wheat Board, The.....	3,968,141	5,114,774	5,022,311	4,060,604
Export Development Corporation.....	5,290,584	50,241,498	49,689,804	5,842,278
Farm Credit Corporation.....	570,476	413,624		984,100
Federal Business Development Bank.....	1,022,597	3,806,188	3,645,055	1,183,730
Pêcheries Canada Inc. ....		104		104
Petro-Canada.....	317,740	2,388,900	1,832,448	874,192
Seaway International Bridge Corporation, Ltd, The.....	8			8
Teleglobe Canada.....	69,680	5,087	8,345	66,422
Total.....	14,010,306	62,160,444	61,547,946	14,622,804
Allowance for borrowings of agent Crown corporations expected to be repaid by the Government.....	1,200,000		1,200,000	
Borrowings expected to be repaid by agent Crown corporations.....	12,810,306	62,160,444	60,347,946	14,622,804
Interest and exchange adjustments included in the above allowance and recorded in the accounts of Canada.....	53,827		53,827	
Gross borrowings by agent Crown corporations reported on the Statement of Assets and Liabilities.....	12,864,133	62,160,444	60,401,773	14,622,804

<sup>(1)</sup> Refer to footnote <sup>(6)</sup> to Table 8.4.

## Contingent Liabilities of Crown Corporations

Table 8.9 summarizes the contingent liabilities of Crown corporations. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

TABLE 8.9

### CONTINGENT LIABILITIES OF CROWN CORPORATIONS AS AT MARCH 31, 1986 (in thousands of dollars)

	March 31, 1986
<u>Agent Crown corporations</u>	
Canada Development Investment Corporation (Canadair Limited)—contract dispute .....	152,500
Canada Lands Company (Vieux-Port de Québec) Inc.—contract dispute .....	2,500
Canada Mortgage and Housing Corporation—litigation re: insulation program .....	48,000
Canada Museums Construction Corporation Inc.—contract disputes and other .....	7,869
Canada Ports Corporation—miscellaneous litigation .....	1,500
Canadian Commercial Corporation—contract damages .....	7,544
Canertech Inc.—miscellaneous litigation .....	77,000
Cape Breton Development Corporation—loan guarantees .....	51,158
Defence Construction (1951) Limited—contract dispute .....	2,419
Export Development Corporation—loan guarantees .....	201,298
Federal Business Development Bank—bank loan guarantees .....	16,600
Jacques Cartier and Champlain Bridges Incorporated, The—contracts litigation .....	3,240
Montreal Port Corporation—miscellaneous litigation .....	5,811
National Capital Commission—miscellaneous litigation .....	27,100
Northern Canada Power Commission—miscellaneous litigation .....	783
Pêcheries Canada Inc.—employees separation litigation .....	700
Petro-Canada—loan guarantee .....	281,000
Port of Quebec Corporation—miscellaneous litigation .....	5,600
St John's Port Corporation—damage claims .....	5,000
St Lawrence Seaway Authority, The—seaway navigation litigation .....	41,600
Teleglobe Canada—potential liability re: retirement agreement .....	1,526
Vancouver Port Corporation—miscellaneous litigation .....	2,000
	942,748
<u>Non-agent Crown corporation</u>	
CN Marine Inc.—contract dispute .....	15,800
<b>Total</b> .....	<b>958,548</b>

## PROVINCIAL AND TERRITORIAL GOVERNMENTS

This group records loans to provinces made under relief acts and other legislation.

Table 8.10 presents a summary of the balances and transactions for the various types of loans and advances that have been made to provincial and territorial governments.

TABLE 8.10

### PROVINCIAL AND TERRITORIAL GOVERNMENTS

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease (—)	
	\$	\$	\$	\$	1986	1985
<b>NEWFOUNDLAND—</b>						
Finance—						
Federal-provincial employment loans program .....	3,661,214			3,661,214		
Federal-provincial fiscal arrangements .....	37,071,621	37,071,621			- 37,071,621	10,802,320
Municipal Development and Loan Board .....	5,410,527	178,058		5,232,469	- 178,058	- 180,706
Special development loans program .....	6,700,000			6,700,000		
Winter capital projects fund .....	7,080,196	54,435		7,025,761	- 54,435	- 76,331
	59,923,558	37,304,114		22,619,444	- 37,304,114	10,545,283
Regional Industrial Expansion—						
Atlantic Development Board carry-over projects .....	1,035,107	25,797		1,009,310	- 25,797	- 30,883
Atlantic Provinces Power Development Act .....	79,171,086	1,813,042		77,358,044	- 1,813,042	- 1,695,156
Special areas and highways agreement .....	36,490,716	1,978,862		34,511,854	- 1,978,862	- 1,826,638
	116,696,909	3,817,701		112,879,208	- 3,817,701	- 3,552,677
Total Newfoundland .....	176,620,467	41,121,815		135,498,652	- 41,121,815	6,992,606
<b>NOVA SCOTIA—</b>						
Energy, Mines and Resources—						
Regional electrical interconnections .....	2,555,284	24,992		2,530,292	- 24,992	- 22,666
Finance—						
Federal-provincial employment loans program .....	3,397,738	535,503		2,862,235	- 535,503	- 500,691
Municipal Development and Loan Board .....	2,434,793	663,576		1,771,217	- 663,576	- 664,984
Special development loans program .....	4,300,000			4,300,000		
Winter capital projects fund .....	4,582,942			4,582,942		- 239,735
	14,715,473	1,199,079		13,516,394	- 1,199,079	- 1,405,410
Regional Industrial Expansion—						
Atlantic Development Board carry-over projects .....	4,102,124	139,768		3,962,356	- 139,768	- 129,900
Atlantic Provinces Power Development Act .....	43,163,005	1,673,485		41,489,520	- 1,673,485	- 1,574,178
Mainland Investments Limited .....	1,500,000	500,000		1,000,000	- 500,000	- 500,000
Special areas and highways agreement .....	24,837,822	1,853,115		22,984,707	- 1,853,115	- 1,847,369
	73,602,951	4,166,368		69,436,583	- 4,166,368	- 4,051,447
Transport—						
Loading ramp, Yarmouth, NS .....	28,676	28,676			- 28,676	- 28,666
Total Nova Scotia .....	90,902,384	5,419,115		85,483,269	- 5,419,115	- 5,508,189
<b>PRINCE EDWARD ISLAND—</b>						
Energy, Mines and Resources—						
Regional electrical interconnections .....	8,526,857	8,526,857			- 8,526,857	- 97,362
Finance—						
Federal-provincial employment loans program .....	210,169	15,400		194,769	- 15,400	- 14,427
Municipal Development and Loan Board .....	841,297	78,000		763,297	- 78,000	- 74,186
Special development loans program .....	213,582			213,582		- 23,521
Winter capital projects fund .....	1,112,813	48,774		1,064,039	- 48,774	- 56,202
	2,377,861	142,174		2,235,687	- 142,174	- 168,336
Regional Industrial Expansion—						
Atlantic Development Board carry-over projects .....	24,975	1,069		23,906	- 1,069	- 994
Comprehensive development plan agreement .....	11,554,151	161,839		11,392,312	- 161,839	- 149,852
	11,579,126	162,908		11,416,218	- 162,908	- 150,846
Total Prince Edward Island .....	22,483,844	8,831,939		13,651,905	- 8,831,939	- 416,544

TABLE 8.10

## PROVINCIAL AND TERRITORIAL GOVERNMENTS—Continued

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease (—)	
	\$	\$	\$	\$	1986	1985
<b>NEW BRUNSWICK—</b>						
Energy, Mines and Resources—						
Regional electrical interconnections .....	4,887,043	94,010		4,793,033	— 94,010	
Finance—						
Federal-provincial employment loans pro-						
gram .....	6,435,049	176,815		6,258,234	— 176,815	— 156,370
Municipal Development and Loan Board .....	5,958,031	330,268		5,627,763	— 330,268	— 282,943
Special development loans program .....	5,375,000			5,375,000		
Town of Oromocto .....	44,264	37,461		6,803	— 37,461	— 64,771
Winter capital projects fund .....	9,596,373	102,141		9,494,232	— 102,141	— 90,889
	27,408,717	646,685		26,762,032	— 646,685	— 594,973
Regional Industrial Expansion—						
Atlantic Development Board carry-over						
projects .....	868,818	33,265		835,553	— 33,265	— 30,944
Atlantic Provinces Power Development Act	42,989,199	1,635,138		41,354,061	— 1,635,138	— 1,544,820
Special areas and highways agreement .....	41,936,757	2,062,792		39,873,965	— 2,062,792	— 1,910,406
	85,794,774	3,731,195		82,063,579	— 3,731,195	— 3,486,170
Total New Brunswick .....	118,090,534	4,471,890		113,618,644	— 4,471,890	— 4,081,143
<b>QUEBEC—</b>						
Finance—						
Federal-provincial employment loans pro-						
gram .....	61,300,779			61,300,779		
Municipal Development and Loan Board .....	50,214,852	3,128,104		47,086,748	— 3,128,104	— 2,969,244
Special development loans program .....	70,300,000			70,300,000		
Winter capital projects fund .....	91,314,928			91,314,928		
	273,130,559	3,128,104		270,002,455	— 3,128,104	— 2,969,244
Regional Industrial Expansion—						
Special areas and highways agreement .....	101,529,166	2,033,252		99,495,914	— 2,033,252	— 1,878,533
Total Quebec .....	374,659,725	5,161,356		369,498,369	— 5,161,356	— 4,847,777
<b>ONTARIO—</b>						
Finance—						
Federal-provincial employment loans pro-						
gram .....	10,223,077	781,343		9,441,734	— 781,343	— 852,594
Municipal Development and Loan Board .....	24,158,836	5,670,606		18,488,230	— 5,670,606	— 5,383,003
Special development loans program .....	1,767,624	208,066		1,559,558	— 208,066	— 195,468
Winter capital projects fund .....	34,301,276	2,650,321		31,650,955	— 2,650,321	— 2,437,246
Total Ontario .....	70,450,813	9,310,336		61,140,477	— 9,310,336	— 8,868,311
<b>MANITOBA—</b>						
Agriculture—						
Agricultural service centres—						
Advances .....	392	392			— 392	— 2,855
Loans .....	7,091,545	591,305	368	6,500,608	— 590,937	— 39,811
	7,091,937	591,697	368	6,500,608	— 591,329	— 42,666
Energy, Mines and Resources—						
Regional electrical interconnections .....	130,189,693	1,455,155	2,061,278	130,795,816	606,123	2,562,187
Finance—						
Federal-provincial employment loans pro-						
gram .....	4,259,033	408,945		3,850,088	— 408,945	— 388,313
Federal-provincial fiscal arrangements .....						— 2,712,000
Municipal Development and Loan Board .....	4,454,710	724,251		3,730,459	— 724,251	— 704,851
Special development loans program .....	4,256,680	422,270		3,834,410	— 422,270	— 396,460
Winter capital projects fund .....	2,505,491	114,528		2,390,963	— 114,528	— 105,797
	15,475,914	1,669,994		13,805,920	— 1,669,994	— 4,307,421
Regional Industrial Expansion—						
Special areas and highways agreement .....	3,034,757	180,741		2,854,016	— 180,741	— 167,120
Total Manitoba .....	155,792,301	3,897,587	2,061,646	153,956,360	— 1,835,941	— 1,955,020

TABLE 8.10

PROVINCIAL AND TERRITORIAL GOVERNMENTS—*Concluded*

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease ( - )	
	\$	\$	\$	\$	1986	1985
<b>SASKATCHEWAN—</b>						
Agriculture—						
Agricultural service centres—						
Advances.....	28,121	28,121			- 28,121	- 100,699
Loans.....	6,125,727	268,288	28,121	5,885,560	- 240,167	- 199,137
South Saskatchewan River project—						
Treasury bills.....	4,540,000	2,140,000		2,400,000	- 2,140,000	- 1,960,000
	10,693,848	2,436,409	28,121	8,285,560	- 2,408,288	- 2,259,836
Finance—						
Federal-provincial employment loans pro-						
gram.....	805,717	67,316		738,401	- 67,316	- 62,926
Federal-provincial fiscal arrangements.....	45,826,000	22,913,000		22,913,000	- 22,913,000	- 22,913,000
Municipal Development and Loan Board.....	1,935,605	596,797		1,338,808	- 596,797	- 572,624
	48,567,322	23,577,113		24,990,209	- 23,577,113	- 23,548,550
Total Saskatchewan.....	59,261,170	26,013,522	28,121	33,275,769	- 25,985,401	- 25,808,386
<b>ALBERTA—</b>						
Agriculture—						
Agricultural service centres—						
Loans.....	310,232			310,232		
Finance—						
Federal-provincial employment loans pro-						
gram.....	3,412,233	331,227		3,081,006	- 331,227	- 313,500
Municipal Development and Loan Board.....	5,398,889	1,029,368		4,369,521	- 1,029,368	- 978,540
Special development loans program.....	4,000,000			4,000,000		
Winter capital projects fund.....	4,240,133	304,005		3,936,128	- 304,005	- 282,494
	17,051,255	1,664,600		15,386,655	- 1,664,600	- 1,574,534
Regional Industrial Expansion—						
Special areas and highways agreement.....	2,753,626	169,486		2,584,140	- 169,486	- 157,025
Total Alberta.....	20,115,113	1,834,086		18,281,027	- 1,834,086	- 1,731,559
<b>BRITISH COLUMBIA—</b>						
Finance—						
Federal-provincial employment loans pro-						
gram.....	10,228,582	857,910		9,370,672	- 857,910	- 801,586
Municipal Development and Loan Board.....	7,194,297	1,408,286		5,786,011	- 1,408,286	- 1,406,915
Special development loans program.....	16,944,746	2,156,848		14,787,898	- 2,156,848	- 2,022,269
Winter capital projects fund.....	14,612,349	904,706		13,707,643	- 904,706	- 834,563
Total British Columbia.....	48,979,974	5,327,750		43,652,224	- 5,327,750	- 5,065,333
<b>NORTHWEST TERRITORIES—</b>						
Finance—						
Federal-provincial employment loans pro-						
gram.....	19,470		91	19,561	91	- 1,521
Winter capital projects fund.....	260,370		2,194	262,564	2,194	- 13,209
	279,840		2,285	282,125	2,285	- 14,730
Indian Affairs and Northern Development—						
Government of the Northwest Territories.....	414,258	54,477		359,781	- 54,477	- 14,826,853
Total Northwest Territories.....	694,098	54,477	2,285	641,906	- 52,192	- 14,841,583
<b>YUKON TERRITORY—</b>						
Indian Affairs and Northern Development—						
Government of the Yukon Territory.....	8,384,601	625,528		7,759,073	- 625,528	- 640,921
Yukon Territory small business loans.....	362,082	8,495		353,587	- 8,495	- 21,626
Total Yukon Territory.....	8,746,683	634,023		8,112,660	- 634,023	- 662,547
Total.....	1,146,797,106	112,077,896	2,092,052	1,036,811,262	- 109,985,844	- 66,793,786



### Federal-provincial employment loans program

Loans have been made, to provinces, provincial agencies and municipalities, to assist in the creation of employment.

The loans bear interest at rates from 6.5% to 7.41% per annum, and are repayable either in annual instalments over 10 to 20 years, or at maturity, with final repayments between April 1, 1988 and November 30, 1994.

### Federal-provincial fiscal arrangements

These amounts represent overpayments in respect of provincial equalization entitlements under the Constitution Acts 1867-1982, the Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act, 1977, and other statutory authority. These overpayments are non-interest bearing and are recovered in the subsequent year.

### Municipal Development and Loan Board

Loans have been made, to provinces and municipalities, to augment or accelerate municipal capital works programs.

The loans bear interest at rates from 5.25% to 5.625% per annum, and are repayable in annual or semi-annual instalments over 15 to 50 years, with final instalments between April 1, 1986 and March 31, 2016.

### Special development loans program

Loans have been made, to provinces, provincial agencies and municipalities, to assist in the creation of employment.

The loans bear interest at rates from 5.91% to 7.54% per annum, and are repayable either in annual or semi-annual instalments over 10 to 20 years, or at maturity, with final repayments between April 1, 1987 and March 30, 1993.

### Winter capital projects fund

Loans have been made, to provinces, provincial agencies and municipalities, to assist in the creation of employment.

The loans bear interest at rates from 7.2% to 9.84% per annum, and are repayable either in annual instalments over 5 to 20 years, or at maturity, with final repayments between March 31, 1987 and February 28, 1999.

### Atlantic Development Board carry-over projects

Loans have been made to finance certain water projects that were carried over from the Atlantic Development Board. Loans were made pursuant to terms and conditions of agreements between Canada and the provinces in the Atlantic region, with the approval of the Governor in Council.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) bearing interest at the rate of 7.5% per annum, repayable over 28 years at various anniversary amortization dates, with the final instalment on July 31, 1999, \$48,338; and,
- (b) bearing interest at rates from 7.161% to 8.5% per annum, repayable over 30 years at various anniversary amortization dates, with final instalments between November 21, 1998 and April 1, 2006, \$5,922,715.

### Atlantic Provinces Power Development Act

Loans have been made to the Atlantic provinces, to assist in the generation of electrical energy by steam driven generators in the provinces, and in the control and transmission of electric energy.

The loans bear interest at rates from 4.5% to 8.5% per annum, and are repayable in equal annual instalments over 29 to 40 years, with final instalments between March 31, 1992 and March 31, 2014.

### Special areas and highways agreement

Loans have been made to finance development of community and industrial infrastructure projects for special areas, and for highway development, pursuant to terms and conditions of agreements between Canada and the provinces, with the approval of the Governor in Council.

The loans bear interest at rates from 5.768% to 10.164% per annum, and are repayable in equal annual instalments over 5 to 30 years, with final instalments between March 31, 1987 and March 31, 2009.

### Regional electrical interconnections

Loans have been made to assist in financing regional electrical interconnections, under agreements between the Government of Canada and the Provinces of Manitoba, New Brunswick, Nova Scotia and Prince Edward Island.

During the year, additional loans were authorized by Energy, Mines and Resources Vote L30, Appropriation Acts No 1 and No 2, 1985-86.

The loans bear interest at rates from 9% to 15.625% per annum, and are repayable in annual instalments over 29 to 31 years, with final instalments between March 31, 2008 and March 31, 2009.

### Mainland Investments Limited

Loans have been made to the Province of Nova Scotia for the purchase of shares of Mainland Investments Limited, in accordance with an agreement between Canada and Nova Scotia, pursuant to Section 8 of the Special Areas Act.

The loans bear interest at the rate of 7% per annum, and are repayable over 15 years, with the final instalment on February 28, 1988.

### Loading ramp, Yarmouth, NS

Loans were made to the Province of Nova Scotia, for the construction of an end-loading ramp at Yarmouth, Nova Scotia.

During the year, the loans were repaid in full.

### Comprehensive development plan agreement

Loans have been made to the Province of Prince Edward Island, to assist in financing the realization of a comprehensive and co-ordinated development plan of the province, pursuant to an agreement with the province, whose territory has been designated a "special rural development area".

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) repayable over 30 years in equal instalments due at various anniversary dates, bearing interest at rates from 6.688% to 9.375% per annum, with final instalments between March 25, 2000 and March 27, 2005, \$4,891,000; and,
- (b) repayable in equal annual instalments over 30 years, bearing interest at rates from 6.688% to 9.375% per annum, with final instalments between March 31, 2001 and March 31, 2005, \$6,525,218.

### Town of Oromocto

Capital assistance loans have been made to the Town of Oromocto, New Brunswick.

The outstanding loan bears interest at the rate of 5.625% per annum, and is repayable in equal semi-annual instalments over 20 years, with the final instalment on April 1, 1986.

### Agricultural service centres

Loans and advances have been made to provincial and municipal authorities, to assist in the construction or expansion of water supply and waste disposal facilities in key agriculture service centres, which are essential to rural adjustment and urban development in the agricultural portion of the Prairie region.

### Advances

The amounts shown as advances represent outlays made on incomplete projects. When a project is completed, the advances are transferred to the loan account.

Upon completion of projects, interest is calculated and added to the amount of advances being transferred to loans in accordance with the terms and conditions of the agreements between Canada and the provinces, with the approval of the Governor in Council.

### Loans

This account records amounts transferred from the advances account when projects are completed.

The loans bear interest at rates from 7.672% to 14.129% per annum, and are repayable in equal annual instalments over 20 years, with final instalments between March 30, 1994 and March 30, 2004. No loan repayments were received from the Province of Alberta since 1980-81.

### South Saskatchewan River project—Treasury bills

Treasury bills are received as payment of the Province of Saskatchewan's share of certain expenditures on the South Saskatchewan River project.

The Treasury bills bear interest at rates from 5% to 5.875% per annum, and are repayable in semi-annual instalments, with the final instalment on December 31, 1986.

### Government of the Northwest Territories

Loans have been made to the Government of the Northwest Territories, for the following purposes:

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986
	\$	\$	\$	\$
Second mortgage .....	150,826	9,309		141,517
Low cost housing .....	263,432	45,168		218,264
	414,258	54,477		359,781

The loans bear interest at rates from 5.125% to 8.875% per annum, and are repayable in equal annual instalments over 20 to 25 years, with final instalments between April 1, 1986 and August 27, 1996.

### Government of the Yukon Territory

Loans have been made to the Government of the Yukon Territory, for the following purposes:

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986
	\$	\$	\$	\$
Second mortgage .....	117,102	10,415		106,687
Low cost housing .....	442,784	34,842		407,942
Capital expenditures ..	983,084	66,063		917,021
Outside parties—				
Capital projects .....	6,734,169	461,410		6,272,759
City of Whitehorse—				
Capital projects .....	107,462	52,798		54,664
	8,384,601	625,528		7,759,073

The loans bear interest at rates from 3.875% to 12.5% per annum, and are repayable in equal annual instalments over 2 to 35 years, with final instalments between April 1, 1986 and March 31, 2004.

### Yukon Territory small business loans

Loans have been made for the establishment or expansion of small businesses in the Yukon Territory.

The total amount authorized to be outstanding at any time is \$5,000,000.

The loans bear interest at rates from 9% to 12% per annum, and are repayable in annual instalments over 10 years, with final instalments between April 1, 1986 and March 31, 1988. The repayment period may be extended with the approval of the Minister of Finance.

## NATIONAL GOVERNMENTS INCLUDING DEVELOPING COUNTRIES

Loans to national governments consist mainly of the loan to the Government of the United Kingdom under the United Kingdom Financial Agreement Act, international development assistance to developing countries, and loans for development of export trade (administered by the Export Development Corporation).

Table 8.11 presents a summary of the balances and transactions for the loans and advances that were made to national governments including developing countries.

TABLE 8.11

## NATIONAL GOVERNMENTS INCLUDING DEVELOPING COUNTRIES

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease ( - )	
	\$	\$	\$	\$	1986	1985
China—Finance .....	49,426,118			49,426,118		
Greece—Finance .....	6,214,126	6,214,126			- 6,214,126	
Jamaica— Finance— Special program—Economic assistance .....	25,000,000			25,000,000		
United Kingdom— Finance— The United Kingdom Financial Agreement Act, 1946 .....	512,034,191	27,469,571		484,564,620	- 27,469,571	- 26,930,952
Deferred principal .....	94,990,863			94,990,863		
	607,025,054	27,469,571		579,555,483	- 27,469,571	- 26,930,952
Developing countries— External Affairs—Canadian International Development Agency— International development assistance .....	3,079,954,650	30,760,135	208,346,816	3,257,541,331	177,586,681	200,524,749
Development of export trade (loans administered by the Export Development Corporation)— External Affairs .....	619,286,893	25,289,701	23,364,254	617,361,446	- 1,925,447	- 1,416,039
National Defence— North Atlantic Treaty Organization— Damage claims recoverable .....	32,206	185,620	193,152	39,738	7,532	30,046
Total .....	4,386,939,047	89,919,153	231,904,222	4,528,924,116	141,985,069	172,207,804

**China**

A loan to China was authorized under the Export Credits Insurance Act.

**Greece**

A non-interest bearing loan has been made to Greece.

During the year, the loan was written-off by Finance Vote 16c, Appropriation Act No 4, 1985-86.

**Jamaica—Economic assistance**

A loan has been made to the Government of Jamaica, to provide economic assistance. The maturity under the agreement is August 9, 1989. Interest at 11% per annum is payable annually on August 9. Up to August 9, 1989, the interest rate will be equal to the Crown corporations' 5 year borrowing rate.

The agreement, as amended in 1984, provides for the deferment of one-half of the interest due on August 9, 1984 and is repayable in semi-annual instalments over the period February 15, 1989 to August 15, 1993 and bears interest at a rate of 13.5% per annum.

**United Kingdom***The United Kingdom Financial Agreement Act, 1946*

Under authority of the United Kingdom Financial Agreement Act, a credit of \$1,250,000,000 was extended to the Government of the United Kingdom to facilitate purchases by the United Kingdom of goods and services in Canada and to assist the United Kingdom in meeting transitional post-war deficits in its current balance of payments, in maintaining

adequate reserves of gold and dollars, and in assuming the obligations of multilateral trade. The amount of the credit drawn by December 31, 1951 was to be repaid in 50 annual instalments beginning on that date, with interest at the rate of 2% per annum, with the final instalment on December 31, 2000.

*Deferred principal*

The agreement, as amended in 1957, provides for the deferment of interest in respect of the year 1956 and of seven instalments of principal and interest after December 31, 1956, under certain conditions. Interest for 1956, and interest and principal for 1957, 1964, 1965, 1968 and 1976 were deferred. The maturity of the deferrals is to commence December 31, 2001, and continue until December 31, 2006.

**Developing countries—International development assistance**

Loan assistance has been made to developing countries for international development assistance. During the year, additional loans were authorized by External Affairs Votes L50 and L55, Appropriation Acts No 1 and No 2, 1985-86.

The following table presents the balances and transactions for the loans made to developing countries, together with their terms and conditions of repayments.

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986
	\$	\$	\$	\$
(a) 17 year term, 7 year grace period, non-interest bearing, with the final repayment in September 1997:				
Senegal .....	999,070			999,070
(b) 20 year term, 5 year grace period, 5% interest per annum, with final repayments between September 2000 and March 2001:				
Jamaica .....	4,499,073			4,499,073
Turkey .....	30,821,574	1,586,667		29,234,907
	35,320,647	1,586,667		33,733,980
(c) 25 year term, 5 year grace period, 6% interest per annum, with the final repayment in March 1990:				
Nigeria .....	973,789			973,789
(d) 30 year term, 7 year grace period, 3% interest per annum, with final repayments between September 1996 and January 2012:				
Barbados .....	17,976,935	1,024,282	794,056	17,746,709
Brazil .....	13,226,412	566,678	489,239	13,148,973
Chile .....	2,468,730	182,863		2,285,867
Colombia .....	19,986,250	945,652		19,040,598
Cuba .....	9,552,447	5,435		9,547,012
Dominican Republic .....	2,200,001			2,200,001
Egypt .....	50,000,000			50,000,000
Jamaica .....	33,123,346	64,117		33,059,229
Korea .....	543,066	65,168		477,898
Malaysia .....	12,364,551	639,816		11,724,735
Nigeria .....	834,711			834,711
Peru .....	337,617			337,617
Salvador, El .....	9,260,527			9,260,527
Trinidad .....	6,888,720	1,087,587	297,899	6,099,032
Turkey .....	9,850,000	737,229		9,112,771
	188,613,313	5,318,827	1,581,194	184,875,680
(e) 35 year term, 5 year grace period, non-interest bearing, with final repayments between April 2001 and November 2005:				
Salvador, El .....	3,132,685	171,939		2,960,746
(f) 40 year term, 10 year grace period, non-interest bearing, with the final repayment in March 2007:				
Thailand .....	744,987	50,000		694,987
(g) 50 year term, 10 year grace period, non-interest bearing, with final repayments between March 2015 and March 2035:				
Algeria .....	16,568,198	350,104		16,218,094
Antigua .....	5,924,797	150,000		5,774,797
Argentina .....	606,667	18,667		588,000
Barbados .....	7,688,715	92,250	536,564	8,133,029
Belize .....	12,187,864	371,208		11,816,656
Bolivia .....	1,589,816	42,396		1,547,420
Brazil .....	721,518	20,913		700,605
Burma .....	8,306,202			8,306,202
Cameroun .....	131,438,456	668,266	10,351,306	141,121,496
Chile .....	3,254,665	98,062		3,156,603
Colombia .....	20,347,983	357,967		19,990,016
Congo-Brazzaville .....	21,970,773		627,465	22,598,238
Costa Rica .....	14,715,495		6,493,927	21,209,422
Dominica .....	1,838,883	17,235		1,821,648
Dominican Republic .....	8,985,249	183,404		8,801,845
East African Community <sup>(1)</sup> .....	47,402,298			47,402,298
Ecuador .....	11,208,315	304,907		10,903,408
Egypt .....	57,518,746		81,199	57,599,945
Gabon .....	1,988,591		2,671,415	4,660,006
Ghana .....	80,736,445	1,234,411	307,531	79,809,565
Grenada .....	850,000	31,875		818,125
Guatemala .....	3,979,411		20,692	4,000,103
Guyana .....	36,070,208		124,894	36,195,102
Honduras .....	31,627,922		1,269,060	32,896,982
India .....	667,620,672	5,301,939	33,749,994	696,068,727
Indonesia .....	205,243,313	2,335,022	64,734,737	267,643,028
Ivory Coast .....	60,496,614		10,488,824	70,985,438
Jamaica .....	51,521,004	13,016	4,718,564	56,226,552
Kenya .....	109,787,334	682,860	413,529	109,518,003
Madagascar .....	22,883,821		74,189	22,958,010
Malaysia .....	331,881	4,953	806,696	1,133,624
Malta .....	987,510	25,020		962,490



	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986
	\$	\$	\$	\$
Mauritania .....	4,199,062			4,199,062
Mexico .....	90,069	2,771		87,298
Montserrat .....	683,815			683,815
Morocco .....	14,850,579	21,176	6,113	14,835,516
Nicaragua .....	10,554,501	71,250	5,057,746	15,540,997
Nigeria .....	44,635,171	15,911		44,619,260
Pakistan .....	575,399,169	5,623,974	36,313,923	606,089,118
Paraguay .....	639,877	19,997		619,880
Peru .....	5,321,928	17,725	6,774,158	12,078,361
Philippines .....	3,886,371			3,886,371
Salvador, El .....	1,200,000			1,200,000
St Lucia .....	529,835	17,781		512,054
St Vincent .....	1,145,000	28,625		1,116,375
Senegal .....	14,082,454		11,330	14,093,784
Sri Lanka .....	168,642,599	748,290	364,777	168,259,086
Swaziland .....	1,423,565			1,423,565
Thailand .....	33,747,353			33,747,453
Togo .....	16,571,216			16,571,216
Trinidad .....	3,547,246	171,354		3,375,892
Tunisia .....	125,695,799	4,556,685	525,879	121,664,993
Various Francophone <sup>(2)</sup> .....	1,677,258			1,677,258
Zaire .....	28,628,313	12,688	830,433	29,446,058
Zambia .....	83,156,257		2,173,400	85,329,657
Zimbabwe .....	18,420,681		8,476,001	26,896,682
	2,805,127,584	23,612,702	198,004,346	2,979,519,228
(h) 53 year term, 13 year grace period, non-interest bearing, with the final repayment in September 2025:				
Algeria .....	40,635,162	20,000	5,500,662	46,115,824
(i) 55 year term, 15 year grace period, non-interest bearing, with the final repayment in September 2036:				
Egypt .....	4,407,413		3,260,614	7,668,027
	3,079,954,650	30,760,135	208,346,816	3,257,541,331

Note: grace period refers to interval to first repayment of principal.

(1) Joint project involving Kenya, Tanzania and Uganda.

(2) Joint project involving Mali and Senegal.

Similar assistance has been provided to developing countries by way of subscriptions to the capital of the International Development Association in the amount of \$2,231 million, and loans to other international financial institutions in the amount of \$1,361 million. These amounts are reported later in this section under the heading "International Organizations".

### Development of export trade

Pursuant to Section 31 of the Export Development Act, the Governor in Council may authorize the Corporation to make loans to foreign customers where the liability is for a term, or in an amount in excess of that normally assumed by the Corporation. Such loans are financed directly by payments out of the Consolidated Revenue Fund and are administered by the Corporation on behalf of the Government of Canada.

During the year, receipts and other credits included loan and guarantee repayments of \$25,289,701, while payments and other charges included loans and guarantees of \$17,387,877 and a valuation adjustment of \$5,976,377 in respect of loans totalling \$176,976,905 US. Interest of \$29.6 million was received and credited to Non-tax revenue—Return on investments.

The loans bear interest at rates from 3.25% to 10.5% per annum, and are repayable over 6 to 22 years, with final instalments between April 1, 1986 and March 25, 2008.

### North Atlantic Treaty Organization—Damage claims recoverable

Article VIII of the NATO Status of Forces Agreement signed April 4, 1949, as amended, deals with claims for

damages to third parties arising from accidents in which a member of a visiting force is involved. This account is charged with the amount recoverable from other states, for claims for damages which took place in Canada, and is credited with recoveries.

The advances are non-interest bearing and have no specific repayment terms.

## INTERNATIONAL ORGANIZATIONS

This group records Canada's subscriptions to the capital of the African Development Bank, the Asian Development Bank, the Caribbean Development Bank, the Inter-American Development Bank, the International Bank for Reconstruction and Development (i.e. World Bank), the International Development Association and the International Finance Corporation. It also includes loans and advances to other international organizations.

Capital subscriptions are made in part by the issuance of non-interest bearing, non-negotiable demand notes. The amounts advanced or loaned vary according to the needs of the organizations concerned, and the terms of the agreements.

The net position of the Government vis-à-vis the international organizations has been obtained by deducting from subscriptions, loans and advances, the non-interest bearing notes issued by Canada to these organizations. These notes, payable on demand, represent that portion of the investment by Canada in these organizations which has not yet been encashed by them. These notes are encashed subject to the financial requirements of these organizations.



Table 8.12 presents a summary of the balances and transactions for the subscriptions, loans and advances to international organizations.

TABLE 8.12

## INTERNATIONAL ORGANIZATIONS

	Receipts and other credits		Payments and other charges		Net increase or decrease (—)	
	April 1/1985			March 31/1986	1986	1985
	\$	\$	\$	\$	\$	\$
Canada's subscriptions to the capital of the—						
African Development Bank .....	35,130,263		11,710,088	46,840,351	11,710,088	11,710,088
Less: notes payable .....		11,710,088	11,710,088			
	35,130,263	11,710,088	23,420,176	46,840,351	11,710,088	11,710,088
Asian Development Bank .....	156,617,200		13,141,679	169,758,879	13,141,679	15,632,567
Less: notes payable .....	20,671,120	3,770,376	4,376,789	20,064,707	— 606,413	— 606,413
	135,946,080	3,770,376	17,518,468	149,694,172	13,748,092	16,238,980
Caribbean Development Bank .....	13,036,439		307,842	13,344,281	307,842	836,527
Less: notes payable .....	1,631,573		210,254	1,421,319	— 210,254	— 500,000
	11,404,866		518,096	11,922,962	518,096	1,336,527
Inter-American Development Bank .....	144,409,420		13,630,830	158,040,250	13,630,830	18,610,765
Less: notes payable .....	44,311,414	9,994,486	8,624,463	45,681,437	1,370,023	3,323,637
	100,098,006	9,994,486	22,255,293	112,358,813	12,260,807	15,287,128
International Bank for Reconstruction and Development .....	247,455,279		18,701,021	266,156,300	18,701,021	41,653,971
Less: notes payable .....		16,200,000		16,200,000	16,200,000	— 11,961,186
	247,455,279	16,200,000	18,701,021	249,956,300	2,501,021	53,615,157
International Development Association .....	1,897,788,061		333,400,000	2,231,188,061 <sup>(1)</sup>	333,400,000	167,700,000
Less: notes payable .....	528,583,390	333,400,000	117,705,690	744,277,700	215,694,310	— 18,004,800
	1,369,204,671	333,400,000	451,105,690	1,486,910,361	117,705,690	185,704,800
International Finance Corporation .....	28,570,147		674,654	29,244,801	674,654	1,833,300
	1,927,809,312	375,074,950	534,193,398	2,086,927,760	159,118,448	285,725,980
International financial institutions .....	1,188,220,708	275,490	172,872,444	1,360,817,662 <sup>(1)</sup>	172,596,954	163,958,719
Less: notes payable .....	600,481,953	161,644,813	46,815,049	715,311,717	114,829,764	70,660,036
	587,738,755	161,920,303	219,687,493	645,505,945	57,767,190	93,298,683
International Tin Council .....	4,500,000			4,500,000		
International Natural Rubber Agreement .....	5,237,527		3,025,403	8,262,930	3,025,403	— 744,229
International organizations and associations—						
Berne Union of the World Intellectual Property Organization .....	24,351	8,675		15,676	— 8,675	
Customs Co-operation Council .....	6,309			6,309		
Food and Agriculture Organization .....	613,422			613,422		
General Agreement on Tariffs and Trade .....	14,508			14,508		
Intergovernmental Maritime Consultative Organization .....	1,617			1,617		
International Atomic Energy Agency .....	65,656			65,656		— 1,056
International Civil Aviation Organization .....	71,419			71,419		
International Labour Organization .....	68,666			68,666		
Paris Union of the World Intellectual Property Organization .....	45,191		1,191	46,382	1,191	7,292
United Nations bonds .....	850,887	429,654	22,966	444,199	— 406,688	— 327,617
United Nations Educational, Scientific and Cultural Organization .....	630,715			630,715		
United Nations organizations .....	3,574,878	28,104		3,546,774	— 28,104	
World Health Organization .....	177,223			177,223		
	6,144,842	466,433	24,157	5,702,566	— 442,276	— 321,381
Total .....	2,531,430,436	537,461,686	756,930,451	2,750,899,201	219,468,765	377,959,053

<sup>(1)</sup> The subscriptions to the Association and the loans to the international financial institutions are used to lend funds to developing countries at rates favourable to the borrowers. In addition, as described earlier in this section, under the heading "National Governments including Developing Countries", international development assistance amounting to \$3,258 million has also been provided to developing countries.

## African Development Bank

This account records Canada's subscriptions to the capital of the African Development Bank, as authorized by the International Development (Financial Institutions) Assistance Act, the International Development (Financial Institutions) Continuing Assistance Act, and External Affairs Vote L65, Appropriation Acts No 1 and No 2, 1985-86.

At year end, authority had been granted for the purchase of 4,200 paid-in shares and 12,600 callable shares. Instalment payments for the paid-in shares are to be made in non-interest

bearing, non-negotiable demand notes. These notes are deducted from subscriptions to show the net position of the Government vis-à-vis the Bank.

During the year, transactions included additional subscriptions in non-interest bearing demand notes.

As at March 31, 1986, Canada's instalment payments amounted to \$46,840,351 for 3,360 paid-in shares. The 12,600 callable shares are subject to call by the Bank under certain circumstances. Canada's commitment for callable shares has a current value of \$175,651,308.

## Asian Development Bank

This account records Canada's subscriptions to the capital of the Asian Development Bank, as authorized by the International Development (Financial Institutions) Continuing Assistance Act, and various appropriation acts (including External Affairs Vote L65, Appropriation Acts No 1 and No 2, 1985-86).

At year end, authority had been granted for the purchase of 11,110 paid-in shares and 81,433 callable shares. Instalment payments for the paid-in shares may be made in cash or in non-interest bearing, non-negotiable demand notes. These notes are deducted from subscriptions to show the net position of the Government vis-à-vis the Bank.

During the year, transactions included additional subscriptions in cash and in non-interest bearing demand notes, and a valuation adjustment.

As at March 31, 1986, Canada's instalment payments amounted to \$105,434,978 US for 8,740 paid-in shares and 14,220,000 Special Drawing Rights (SDRs) for 1,422 paid-in shares. These balances were translated into Canadian dollars at year-end closing rates of exchange (\$1 US/\$1.3958 Cdn and 1 SDR/1.5888 Cdn). The 81,433 callable shares are subject to call by the Bank under certain circumstances. Canada's commitment for callable shares has a current value of \$439,147,591 US and 450,300,000 SDRs valued at \$1,328,398,847 Cdn at year-end closing rates of exchange.

## Caribbean Development Bank

This account records Canada's subscriptions to the capital of the Caribbean Development Bank, as authorized by the International Development (Financial Institutions) Continuing Assistance Act, and various appropriation acts.

At year end, authority had been granted for the purchase of 1,585 paid-in shares and 5,355 callable shares. Canada may issue, as payment for shares purchased, pending cash requirements by the Bank, non-interest bearing, non-negotiable demand notes. These notes are deducted from subscriptions to show the net position of the Government vis-à-vis the Bank.

During the year, a valuation adjustment transaction was made.

As at March 31, 1986, Canada's instalment payments amounted to \$9,560,310 US for 1,585 paid-in shares. This balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3958 Cdn). The 5,355 callable shares are subject to call by the Bank under certain circumstances. Canada's commitment for callable shares has a current value of \$32,300,021 US, valued at \$45,084,370 Cdn at the year-end closing rate of exchange.

## Inter-American Development Bank

This account records Canada's subscriptions to the capital of the Inter-American Development Bank, as authorized by the International Development (Financial Institutions) Continuing Assistance Act, and various appropriation acts (including External Affairs Vote L65, Appropriation Acts No 1 and No 2, 1985-86).

At year end, authority had been granted for the purchase of 9,982 paid-in shares and 115,220 callable shares. Instalment

payments for the paid-in shares may be made in cash or in non-interest bearing, non-negotiable demand notes. These notes are deducted from subscriptions to show the net position of the Government vis-à-vis the Bank.

During the year, transactions included additional subscriptions in the form of non-interest bearing demand notes, and a valuation adjustment.

As at March 31, 1986, Canada's instalment payments amounted to \$113,225,570 US for 9,375 paid-in shares. This balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3958 Cdn). The 115,220 callable shares are subject to call by the Bank under certain circumstances. Canada's commitment for callable shares has a current value of \$1,389,948,405 US, valued at \$1,940,089,983 Cdn at the year-end closing rate of exchange.

## International Bank for Reconstruction and Development (World Bank)

This account records Canada's subscriptions to the capital of the International Bank for Reconstruction and Development (IBRD), as authorized by the Bretton Woods Agreements Act and various appropriation acts. During the year, transactions included the first instalment towards the 1984 Selective Capital Increase of the IBRD and a valuation adjustment.

Canada has subscribed for 21,782 shares of the Bank of which 10% has been paid by cash and notes. The remaining 90% is represented by a guarantee subject to call by the Bank only when required, to meet obligations of the Bank for funds borrowed or loans guaranteed by it, and not for use by the Bank in its lending activities or for administrative expenses.

As at March 31, 1986, the foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3958 Cdn).

## International Development Association

This account records Canada's subscriptions to the capital of the International Development Association, as authorized by the International Development Association Act, and various appropriation acts. The subscriptions to the Association, which is part of the World Bank Groups, are used to lend funds to developing countries for development purposes, at rates highly favourable to the borrower (no interest, with a 50 year maturity and 10 years of grace).

During the year, transactions included additional subscriptions in the form of non-interest bearing, non-negotiable demand notes. These notes are deducted from the subscriptions to show the net position of the Government vis-à-vis the Association.

## International Finance Corporation

This account records Canada's subscriptions to the capital of the International Finance Corporation, which is part of the World Bank Groups, as authorized by various appropriation acts.

At year end, authority had been granted for the purchase of 20,952 paid-in shares.

During the year, a valuation adjustment transaction was made.

As at March 31, 1986, Canada's total instalment payments amounted to \$20,952,000 US for 20,952 paid-in shares. This balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3958 Cdn).

### International financial institutions

This account records loans for assistance to international financial institutions, as authorized by the International De-

velopment (Financial Institutions) Assistance Act, the International Development (Financial Institutions) Continuing Assistance Act, and various appropriation acts (including External Affairs Vote L60, Appropriation Acts No 1 and No 2, 1985-86).

The balances and transactions for loans to various international financial institutions are as follows:

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986
	\$	\$	\$	\$
African Development Bank .....	4,468,896	125,000		4,343,896
African Development Fund .....	288,237,923		60,987,913	349,225,836
Less: notes payable .....	134,968,000	58,572,915		193,540,915
	153,269,923	58,572,915	60,987,913	155,684,921
Andean Development Corporation .....	4,875,010	124,990		4,750,020
Asian Development Bank—Special .....	27,027,000			27,027,000
Asian Development Fund .....	453,227,705		85,559,323	538,787,028
Less: notes payable .....	337,502,985	85,559,323	23,698,000	399,364,308
	115,724,720	85,559,323	109,257,323	139,422,720
Caribbean Development Bank— Agricultural Development Fund .....	8,600,000			8,600,000
Caribbean Development Bank— Commonwealth Caribbean Regional .....	5,454,400		128,800	5,583,200
Caribbean Development Bank—Special .....	43,185,355		5,953,660	49,139,015
Less: notes payable .....	12,540,550	5,540,550	3,328,656	14,752,444
	30,644,805	5,540,550	9,282,316	34,386,571
Central American Bank for Economic Integration .....	2,358,779	25,500		2,333,279
Inter-American Development Bank—Fund for Special Operations .....	266,555,723		19,245,532	285,801,255
Less: notes payable .....	73,470,418	11,972,025	13,446,393	71,996,050
	193,085,305	11,972,025	32,691,925	213,805,205
International Bank for Reconstruction and Development .....	27,272,000		644,000	27,916,000
International Fund for Agricultural Development .....	42,000,000			42,000,000
Less: notes payable .....	42,000,000		6,342,000	35,658,000
			6,342,000	6,342,000
International Monetary Fund .....	14,957,917		353,216	15,311,133
	587,738,755	161,920,303	219,687,493	645,505,945

### International Tin Council

This account records Canada's subscriptions to the International Tin Council, as authorized by previous appropriation acts. The subscriptions are for the investment in the buffer stock previously established and carried forward under the Sixth International Tin Agreement.

### International Natural Rubber Agreement

This account records Canada's contributions to the financing of the natural rubber buffer stock, as authorized by a previous appropriation act. Pursuant to the International Natural Rubber Agreement, 1979, Canada is committed to participate in the funding of the rubber buffer stock up to \$12,500,000.

### International organizations and associations

These items represent the historical value of payments made by the Canadian Government to working capital funds maintained by international organizations of which Canada is a member. Participation in the financing of these working capital funds, on the basis of the scale of assessments, is prescribed by financial regulations for membership in the organizations. Payments into the funds are not subject to interest or repayment schedules, but are recorded by the organizations as credits from member states. Payments by Canada were authorized by appropriation acts.

During the year, an additional advance to the working capital fund of the Paris Union of the World Intellectual Property Organization was authorized by External Affairs Vote L15, Appropriation Acts No 1 and No 2, 1985-86.

During the year, Canada made a payment of 1,753 Swiss Francs valued at \$1,191 Cdn to the Paris Union of the World Intellectual Property Organization. In addition, Canada received refunds of \$12,435 US valued at \$8,675 Cdn from the Berne Union of the World Intellectual Property Organization and \$20,000 US valued at \$28,104 Cdn from United Nations organizations.

This account also records payments and the balance outstanding on United Nations bonds purchased by the Canadian Government in September 1962. The bonds yield interest at the rate of 2% per annum, and are repayable over 25 years by annual instalments in amounts from 3.1% to 5.1% of the amount subscribed. During the year, Canada's investment of \$624,000 US as at April 1, 1985, was reduced by a payment of \$305,760 US valued at \$429,654 Cdn. Payments and other charges amounting to \$22,966 represent a valuation adjustment of Canada's foreign investment of \$318,240 US translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3958 Cdn).

## VETERANS' LAND ACT FUND ADVANCES

Advances have been made, under Parts I and III of the Veterans' Land Act, for the acquisition of land, permanent improvements, removal of encumbrances, purchase of stock and equipment, and protection of security and, under Part II of the Act, for the purchase, subdivision and development of land, and for progress payments to veterans during construction and completion of unfinished houses, after termination of construction contracts, etc. On completion of the construction contract for each house, Canada Mortgage and Housing Corporation will place or arrange to have placed, a mortgage on the property and will reimburse the Fund the full cost of that property. The total amount authorized to be outstanding at any time is \$605,000,000.

A provision equal to  $\frac{1}{10}$  of the benefits to veterans was established each year up to and including 1978-79. Since that

time, a forecast of requirements has been performed each year and provisions are established as necessary. These provisions are charged to budgetary expenditure and credited to the allowance for conditional benefits account. The allowance for conditional benefits account represents the accumulated net provisions for benefits to veterans in the form of forgiveness of loans authorized by the Veterans' Land Act. These benefits come into effect only after certain conditions are fulfilled by the veterans. At the end of 10 years, the conditions having been met, the accumulated provision is charged to the allowance for conditional benefits account, and credited to the veteran's loan account.

Table 8.13 summarizes the balances and transactions for advances to the Veterans' Land Act Fund.

TABLE 8.13

### VETERANS' LAND ACT FUND

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease ( - )	
					1986	1985
	\$	\$	\$	\$	\$	\$
Veterans' Land Act Fund—						
Advances .....	193,320,606	40,382,904	9,083,633	162,021,335	- 31,299,271	- 33,685,616
Less: allowance for conditional benefits .....	957,843	2,100,000	2,064,373	993,470	35,627	- 2,135,623
Total .....	192,362,763	42,482,904	11,148,006	161,027,865	- 31,334,898	- 31,549,993



## JOINT AND MIXED ENTERPRISES

Joint and mixed enterprises are entities with share capital owned jointly by the Government and other governments and/or organizations to further common objectives. This group records the Government's loans, investments and advances to such entities.

Table 8.14 presents a summary of the balances and transactions for the various types of loans, investments and advances to joint and mixed enterprises.

TABLE 8.14

## JOINT AND MIXED ENTERPRISES

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease ( - )	
					1986	1985
	\$	\$	\$	\$	\$	\$
Canada Development Corporation—						
Regional Industrial Expansion .....	322,000,000			322,000,000		
Canarctic Shipping Company Limited—						
Transport .....						
Cooperative Energy Corporation—Energy,						
Mines and Resources .....	57,804,000			57,804,000		- 269,489
Lower Churchill Development Corporation—						
Energy, Mines and Resources .....	14,750,000			14,750,000		
Newfoundland and Labrador Development Cor-						
poration Limited—Regional Industrial						
Expansion—						
Capital stock .....	200			200		
Loans .....	25,000,000			25,000,000		
	25,000,200			25,000,200		
N.S. Holdco Limited—Regional Industrial						
Expansion—						
Capital stock .....	27,500,000		16,800,000	44,300,000	16,800,000	17,500,000
Advance .....	3,000,000			3,000,000		3,000,000
	30,500,000		16,800,000	47,300,000	16,800,000	20,500,000
25459 Canada Limited—Regional Industrial						
Expansion .....	90,775,000		76,795,000	167,570,000	76,795,000	90,775,000
Société Inter-Port de Québec—Regional Indus-						
trial Expansion .....	400			400		
Telesat Canada—Communications .....	30,000,000			30,000,000		
Total .....	570,829,600		93,595,000	664,424,600	93,595,000	111,005,511

## Canada Development Corporation

The Corporation was established by the Canada Development Corporation Act, to assist in the creation or development of businesses, resources, properties and industries in Canada. The Minister of Finance may subscribe to purchase and hold shares of the Corporation for the Government of Canada.

The Government has purchased, pursuant to Section 35 of the Act, 30,711,990 no par value common shares.

The Government's holding of shares represents 83.6% of the common shares outstanding, and 47.3% of the voting rights.

During the year, the Canada Development Corporation Reorganization Act authorized the sale of the common shares of the Corporation held by the Government.

## Canarctic Shipping Company Limited

In 1977-78, 305,996 common shares of Canarctic Shipping Company Limited having a total value of \$305,996, and representing 51% of the common shares outstanding, were purchased and charged to budgetary expenditure (Transport Vote 10—Marine operating expenditures).

## Cooperative Energy Corporation

The Corporation was established under the Cooperative Energy Act, to bring together a number of co-operative financial, agricultural, service and marketing institutions to participate in the Canadian oil and gas industry. The Corporation is a holding company whose shareholders are the participating co-operatives and the Government of Canada.

The Minister of Energy, Mines and Resources may subscribe for, acquire and hold shares and equity debentures of the Corporation for the Government of Canada. For that purpose, the Government of Canada may provide, over the next two years, up to \$100,000,000 to match investment funds contributed by participating co-operative organizations.

The Government's investment in the capital of the Corporation, as authorized by the Cooperative Energy Act, is recorded in this account and is made up of:

	March 31, 1986
	\$
Equity debentures .....	3,075,900
57,804 class B shares .....	5,780,400
489,477 class D shares .....	48,947,700
	57,804,000



The equity debentures pay 6% interest per year, payable every December 31. As of March 31, 1986, the Government received 639,111 class C shares at \$1 each in lieu of cash for the interest due on the equity debentures. These class C shares are not recorded in the accounts of Canada.

### Lower Churchill Development Corporation

This account records the Government's investment in the capital of the Corporation. In respect of Canada's participation with the Government of Newfoundland in the development of the hydro-electric power potential of the Lower Churchill River in Labrador, the Government is authorized to purchase approximately 49% of the shares of the Lower Churchill Development Corporation.

The Government has purchased 1,475 class A shares, representing 49% of the shares outstanding. The balance of the outstanding shares is owned by Newfoundland and Labrador Hydro.

### Newfoundland and Labrador Development Corporation Limited

#### Capital stock

The Government has purchased 200 ordinary \$1 par value shares of Newfoundland and Labrador Development Corporation Limited, in accordance with an agreement between Canada and Newfoundland pursuant to Section 8(3)(c) of the Special Areas Act. This represents 40% of the authorized shares. The balance of the outstanding shares is owned by the Government of Newfoundland.

#### Loans

Loans have been made to provide financing and other services to small and medium-sized businesses in Newfoundland.

The loans bear interest at rates from 8.375% to 18.375% per annum, and are repayable at the end of 10 years, with final repayments between July 16, 1986 and March 31, 1992.

### N.S. Holdco Limited

The Atlantic Fisheries Restructuring Act authorizes the investment and the provision of financial assistance for the restructure of fishery enterprises to help Atlantic fisheries become more viable, competitive and privately-owned.

#### Capital stock

During the year, additional purchases were authorized by Regional Industrial Expansion Vote L26c, Appropriation Act No 4, 1985-86. The Government purchased 2,800 class AA-1 preferred shares and 14,000 senior class 2 preferred shares of N.S. Holdco Limited for \$2,800,000 and \$14,000,000, respectively. N.S. Holdco Limited is the Nova Scotia-based holding company for the federal equity investment in National Sea Products of Halifax, Nova Scotia that was formed from restructuring National Sea Products Limited and HB Nickerson and Sons Limited. The Government also received 2,800 common voting shares without nominal or par value.

The Government's holding in the Company as of March 31, 1986, is as follows:

- (a) 16,300 common voting shares (35.2% of the issued voting shares);
- (b) 6,300 class AA-1 preferred shares (100%);
- (c) 10,000 class AA-2 preferred shares (100%);
- (d) 14,000 class 1 preferred shares (100%); and,
- (e) 14,000 class 2 preferred shares (100%).

The balance of the shares is owned by the private sector.

#### Advance

In 1984-85, the Government made available an additional \$3,000,000 in the event that all or part of these funds were necessary to defray expenses in winding up North Sydney Investments Limited (formerly HB Nickerson and Sons Limited). As at March 31, 1986, the amount advanced was being held in trust. Subsequent to the year end, the \$3,000,000 advance was repaid to the Government, along with interest as the advance was no longer required.

### 125459 Canada Limited

The Atlantic Fisheries Restructuring Act authorizes the investment and the provision of financial assistance for the restructure of fishery enterprises to help Atlantic fisheries become more viable, competitive and privately-owned.

During the year, additional purchases were authorized by Regional Industrial Expansion Vote L26b, Appropriation Act No 3, 1985-86. The Government purchased 76,795 class C preferred shares of 125459 Canada Limited for \$76,795,000. 125459 Canada Limited is the Newfoundland-based holding company for the federal equity investment in Fishery Products International Limited.

The Government's holding in the Company as of March 31, 1986, is as follows:

- (a) 908 common voting shares (62.6% of the issued voting shares);
- (b) 90,775 class AA preferred shares (70.5%); and,
- (c) 76,795 class C preferred shares (73.1%).

The balance of the shares is owned by the private sector.

### Société Inter-Port de Québec

The Government has purchased 400 fully paid capital shares of the Société Inter-Port de Québec at \$1 per share. This represents 40% of the authorized shares. The balance of the outstanding shares is owned by the Government of Quebec.

### Telesat Canada

The Government has purchased 3,000,000 common shares of Telesat Canada for \$10 per share, for \$30,000,000. This investment represents 49.99% of the shares outstanding.

## MISCELLANEOUS

This group records loans, investments and advances not classified elsewhere.

Table 8.15 presents a summary of the balances and transactions for the various types of miscellaneous loans, investments and advances.

TABLE 8.15

## MISCELLANEOUS LOANS, INVESTMENTS AND ADVANCES

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease ( - )	
	\$	\$	\$	\$	1986	1985
					\$	\$
Loans and accountable advances—						
External Affairs—						
Personnel posted abroad .....	8,052,676	9,905,250	11,228,134	9,375,560	1,322,884	1,089,950
Posts abroad .....	6,974,540	391,739,576	397,274,825	12,509,789	5,535,249	1,243,205
	15,027,216	401,644,826	408,502,959	21,885,349	6,858,133	2,333,155
National Defence—						
Imprest accounts, standing advances and authorized loans .....	33,943,867	192,314,823	192,658,158	34,287,202	343,335	8,618,203
Regional Industrial Expansion—						
Personnel posted in Canada .....	1,563			1,563		
Supply and Services—						
Miscellaneous accountable advances .....	4,833,854	4,812,070	4,743,341	4,765,125	- 68,729	- 513,529
Treasury Board—						
Miscellaneous accountable imprest and standing advances .....	12,839,195	31,607,920	30,108,697	11,339,972	- 1,499,223	1,230,667
Total loans and accountable advances .....	66,645,695	630,379,639	636,013,155	72,279,211	5,633,516	11,668,496
Other miscellaneous—						
Agriculture—						
Construction of multi-purpose exhibition buildings .....	22,555,159	826,354		21,728,805	- 826,354	- 617,257
Communications—						
Cultural property .....	3,920	1,000		2,920	- 1,000	- 1,000
Employment and Immigration—						
Assisted passage scheme .....	54,825,671	16,306,928	19,118,360	57,637,103	2,811,432	6,293,006
Energy, Mines and Resources—						
Hydro-Quebec Research Institute .....	13,277,443	573,440		12,704,003	- 573,440	- 1,031,519
NewGrade Energy Inc .....	13,277,443	573,440	3,310,043	3,310,043	3,310,043	
			3,310,043	16,014,046	2,736,603	- 1,031,519
External Affairs—						
Development of export trade (loans admin- istered by the Export Development Cor- poration) .....	344,231,096	298,094,336	49,313,305	95,450,065	- 248,781,031	156,724,418
Finance—						
Canadian Commercial Bank .....		63,640	73,000,000	72,936,360	72,936,360	
Ottawa Civil Service Recreational Associa- tion .....	307,425	22,739		284,686	- 22,739	- 21,904
Saint John Harbour Bridge Authority .....	11,687,464	115,098	951,597	12,523,963	836,499	779,207
Town of Oromocto .....	12,129	7,968		4,161	- 7,968	- 7,520
Town of Oromocto Development Corpora- tion .....	348,272	66,121		282,151	- 66,121	- 62,744
	12,355,290	275,566	73,951,597	86,031,321	73,676,031	687,039
Fisheries and Oceans—						
Canadian producers of frozen groundfish .....	658,879	28,907		629,972	- 28,907	- 19,365
Groundfish processors .....	192,889			192,889		
Haddock fishermen .....	1,405,981	46,411		1,359,570	- 46,411	- 24,195
	2,257,749	75,318		2,182,431	- 75,318	- 43,560

TABLE 8.15

MISCELLANEOUS LOANS, INVESTMENTS AND ADVANCES—*Concluded*

	April 1/1985		Receipts and other credits		Payments and other charges		March 31/1986		Net increase or decrease (–)	
	\$	\$	\$	\$	\$	\$	\$	\$	1986	1985
Indian Affairs and Northern Development—										
British Yukon Railway Company .....	4,750,000	250,000					4,500,000		– 250,000	– 250,000
Canadian Arctic Producers Co-operative Limited .....	122,991	122,991							– 122,991	– 18,734
Chippewa Band of Kettlepoint .....	65,000						65,000			
Council for Yukon Indians .....	3,806,756				992,601		4,799,357		992,601	969,969
Eskimo loan fund .....	2,894,355	738,079			584,606		2,740,882		– 153,473	– 927,143
Indian economic development .....	46,505,056	3,930,905			6,346,145		48,920,296		2,415,240	1,800,716
Indian housing assistance .....	4,488,744	617,380			951,251		4,822,615		333,871	– 90,094
Nanisivik Mines Ltd .....										
Native claimants .....	77,594,243	371,067			14,104,825		91,328,001		13,733,758	13,166,647
	140,227,145	6,030,422			22,979,428		157,176,151		16,949,006	14,651,361
Labour—										
Provincial workers' compensation boards .....	4,515,000				80,000		4,595,000		80,000	248,000
National Defence—										
Canadian Forces housing projects .....	15,498,496	553,153			148,449		15,093,792		– 404,704	– 672,369
Public Works—										
Burgeo Leasing Limited .....	157,597	9,070					148,527		– 9,070	– 8,648
Eurocan Pulp and Paper Co Ltd .....	1,350,000	225,000					1,125,000		– 225,000	– 225,000
Oil refinery terminal wharf at Come-by-Chance, Newfoundland .....	19,311,904						19,311,904			
Sydney Steel Corporation .....	5,218,162						5,218,162			
	26,037,663	234,070					25,803,593		– 234,070	– 233,648
Regional Industrial Expansion—										
Canadian defence industry .....	22,545,377	11,661,911					10,883,466		– 11,661,911	– 4,975,680
Company stock option .....										
Consolidated Computer Incorporated .....	12,395,998	12,395,998							– 12,395,998	
Enterprise development program .....	19,979,464	5,085,000					14,894,464		– 5,085,000	– 316,667
Footwear and tanning industries adjustment program .....	80,069	80,069							– 80,069	– 47,044
Industrial and regional development program .....	1,250,000						1,250,000			275,000
Kennedy Round agreement .....	952,096	952,096							– 952,096	
Radio Engineering Products Limited .....	1,000,000	1,000,000							– 1,000,000	
	58,203,004	31,175,074					27,027,930		– 31,175,074	– 5,064,391
Solicitor General—										
Parolces .....	19,331	29,200			23,894		14,025		– 5,306	3,320
Supply and Services—										
Canadian Commercial Bank .....					15,189,000		15,189,000		15,189,000	
Defence production loan account .....	1,724,007				15,000,000		16,724,007		15,000,000	
	1,724,007				30,189,000		31,913,007		30,189,000	
Transport—										
Coast Ferries Limited .....	100,000						100,000			
Corporation of the City of Montreal .....	642,338	83,641					558,697		– 83,641	– 81,107
Hamilton Harbour Commissioners .....	1,166,273	199,845					966,428		– 199,845	– 191,496
Northern Transportation Company Limited .....					7,000,000		7,000,000		7,000,000	
Port Alberni Harbour Commission .....	978,538	123,179					855,359		– 123,179	– 114,539
Thunder Bay Harbour Commission .....	354,661	69,066					285,595		– 69,066	– 64,202
	3,241,810	475,731			7,000,000		9,766,079		6,524,269	– 451,344
Veterans Affairs—										
Commonwealth War Graves Commission ..	50,874				10,830		61,704		10,830	– 4,812
Accounts without current transactions .....										– 14,651,000
Total other miscellaneous .....	699,023,658	354,650,592			206,124,906		550,497,972		– 148,525,686	155,836,244
Total .....	765,669,353	985,030,231			842,138,061		622,777,183		– 142,892,170	167,504,740

### Personnel posted abroad

A working capital advance account was established to finance loans and advances to employees posted abroad, including employees of other Government departments and agencies. The purposes of the account were extended to include loans and advances to locally-engaged staff abroad including their dependants, for medical expenses.

The total amount authorized to be outstanding at any time is \$14,500,000.

The closing balance consists of loans to employees, \$7,500,137; advances for medical expenses, \$861,953; and, security and other deposits under Foreign Service Directives, \$1,013,470.

The loans bear interest at rates from 10% to 18.375% per annum, and are repayable over 4 years, with final instalments between April 1, 1986 and June 30, 1989.

### Posts abroad

Non-interest bearing advances have been made for interim financing of expenditures at posts abroad, pending distribution to appropriations of External Affairs and other departments and agencies.

The total amount authorized to be outstanding at any time is \$30,000,000.

### Imprest accounts, standing advances and authorized loans

This account was established for the purpose of financing: (a) public funds imprest and public funds advance accounts; (b) standing advances; (c) authorized loans and advances to employees posted abroad; and, (d) authorized recoverable advances to establish military messes and canteens.

The total amount authorized to be outstanding at any time is \$60,000,000.

### Personnel posted in Canada

This account records imprest bank account advances made to regional offices.

The total amount authorized to be outstanding at any time is \$1,950,000.

### Miscellaneous accountable advances

The closing balance reflects amounts outstanding in the hands of departments, agencies and individuals, at year end, to be expended in the following year.

### Miscellaneous accountable imprest and standing advances

This account is operated to provide standing travel advances, petty cash and imprest bank account advances, to departments and agencies.

The total amount authorized to be outstanding at any time is \$17,000,000.

### Construction of multi-purpose exhibition buildings

Loans have been made to finance the construction of multi-purpose exhibition buildings.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) repayable over 27 to 30 years, bearing interest at rates from 7.432% to 9.684% per annum, with final instalments between May 31, 2002 and May 1, 2008, \$18,715,217;
- (b) repayable over 18 to 26 years, bearing interest at rates from 7.266% to 8.996% per annum, with final instalments between December 31, 1992 and February 15, 2006, \$2,416,499; and,
- (c) repayable over 10 to 15 years, bearing interest at rates from 7.613% to 8.766% per annum, with final instalments between May 1, 1988 and August 1, 1994, \$597,089.

### Cultural property

Loans may be made to institutions and public authorities in Canada, for the purchase of objects in respect of which export permits have been refused under the Cultural Property Export and Import Act, or for the purchase of cultural property situated outside Canada which is related to the national heritage.

During the year, additional loans were authorized by Communications Vote L25, Appropriation Acts No 1 and No 2, 1985-86. The total loan authority is \$10,000 per year.

The outstanding loan bears interest at the rate of 10.875% per annum, and is repayable over 5 years, with the final instalment on September 30, 1988.

### Assisted passage scheme

Section 121 of the Immigration Act authorizes the making of loans to immigrants and other such classes of persons.

The total amount authorized to be outstanding at any time is \$60,000,000.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) repayable by monthly instalments over 1 to 5 years, with a possible deferment of 2 years, bearing interest at rates from 6% to 15% per annum, with final instalments between April 1, 1986 and April 1, 1991, \$7,852,390; and,
- (b) repayable by monthly instalments over 1 to 5 years, with a possible deferment of 2 years, non-interest bearing, with final instalments between April 1, 1986 and April 1, 1991, \$49,784,713.

### Hydro-Quebec Research Institute

Loans have been made to the Hydro-Quebec Research Institute, guaranteed by the Province of Quebec, to provide financial assistance for construction and operation of the Institute.

The loans bear interest at rates from 7.187% to 7.937% per annum, and are repayable in equal annual instalments over 25 years, with the final instalment on March 25, 1999.

### NewGrade Energy Inc

During the year, loans to NewGrade Energy Inc were authorized by Energy, Mines and Resources Vote L31c,



Appropriation Act No 4, 1985-86, for the study and construction of a heavy oil upgrader in the Province of Saskatchewan.

The loans bear interest at the rate of 9.55% per annum, and are repayable when the Corporation arranges long-term financing.

### **Development of export trade**

Pursuant to Section 31 of the Export Development Act, the Governor in Council may authorize the Corporation to make loans where the liability is for a term, or in an amount in excess of that normally assumed by the Corporation. Such loans are financed directly by payments out of the Consolidated Revenue Fund and are administered by the Corporation on behalf of the Government of Canada.

The loans bear interest at rates from 8.25% to 9.5% per annum, and are repayable over 5 to 12 years, with final instalments between April 15, 1986 and April 15, 1995.

During the year, receipts and other credits included loan and guarantee repayments of \$298,094,336, while payments and other charges included loans of \$40,395,885, guarantees and insurance claim payments of \$227,295 and a valuation adjustment of \$8,690,125 in respect of loans totalling \$55,351,235 US. Interest of \$25.8 million was received and credited to Non-tax revenue—Return on investments.

### **Canadian Commercial Bank**

Advances have been made to the Canadian Commercial Bank representing the Government's participation in the support group as authorized by the Canadian Commercial Bank Financial Assistance Act. These funds represent the Government's participation in the loan portfolio that was acquired from the Bank (the Government of Canada's share is \$60 million) and the purchase of outstanding debentures from existing holders (\$13 million).

### **Ottawa Civil Service Recreational Association**

Loans have been made to the Ottawa Civil Service Recreational Association, to assist in the building and development of the W Clifford Clark Memorial Centre.

The loans bear interest at rates from 4.25% to 5.375% per annum, and are repayable in equal semi-annual instalments over 25 and 45 years, with final instalments between September 30, 1990 and September 30, 2005.

### **Saint John Harbour Bridge Authority**

Advances have been made to the Saint John Harbour Bridge Authority in connection with the financing, construction and operation of a toll bridge across the harbour of Saint John, NB. The total amount of advances in each year is to be based on the difference for the year between the operating and financing costs of the toll bridge, and the revenue of the Bridge Authority, repayable when the revenue of the Bridge Authority for the year exceeds the amount of the operating and financing costs for such year. The advances bear interest at rates from 5% to 18.375% per annum.

Advances made to the Authority to meet payments on Municipal Development and Loan Board loans and/or Canada Ports Corporation loans, have also been charged to this

account. During the year, additional loans were authorized by Finance Vote L20, Appropriation Acts No 1 and No 2, 1985-86.

### **Town of Oromocto**

Loans have been made to the Town of Oromocto, New Brunswick, to provide capital assistance.

The remaining loan bears interest at the rate of 5.875% per annum, and is repayable in equal semi-annual instalments over 20 years, with the final instalment on June 1, 1986.

### **Town of Oromocto Development Corporation**

Loans have been made to the Town of Oromocto Development Corporation, for housing projects in the Town of Oromocto, New Brunswick. The total loan authority is \$1,250,000.

The loans bear interest at rates of 5% and 5.75% per annum, and are repayable in equal semi-annual instalments over 30 years, with final instalments between November 15, 1988 and February 15, 1992.

### **Canadian producers of frozen groundfish**

Loans have been made to Canadian producers of frozen groundfish, canned and frozen crabmeat, and canned and frozen lobster meat, to assist in the financing of inventories. The total loan authority is \$5,500,000.

The loans bear interest at the rate of 13% per annum, and are repayable in equal annual instalments over 7 years, with the final instalment in December 1987.

### **Groundfish processors**

Loans have been made to assist processors of groundfish in Canada, who, as determined by the Fisheries Prices Support Board, are unable to obtain sufficient financing on reasonable terms from other sources, to maintain raw fish prices, i.e. prices to primary producers, at the 1966-68 level. The total loan authority is \$6,000,000. The loans bear interest at the rate of 8.75% per annum, and were repayable in equal annual instalments over 7 years, with the final instalment in December 1984.

Loans, in the amount of \$3,000,000, have also been made to ice-affected fish plants in Newfoundland, Labrador and North Shore, Quebec, to provide advances for working capital assistance to Canadian producers of groundfish products in Newfoundland and Quebec, who were affected by severe ice conditions in May and June 1974. The loans bear interest at rates from 8% to 10% per annum, and were repayable in equal annual instalments over 7 years, with the final instalment in December 1985.

### **Haddock fishermen**

Loans have been made to Nova Scotia haddock fishermen whose fishery was closed from February 1 to May 31, 1975, pursuant to an agreement under the International Agreement for the Northwest Atlantic Fisheries. The total loan authority is \$1,650,000.

The loans bore interest at the rate of 8% per annum, and were repayable in equal annual instalments over 4 years, with the final instalment in 1979. The Department of Justice is proceeding with legal action to recover the loans.



### British Yukon Railway Company

A loan has been made to the British Yukon Railway Company, for the Whitepass and Yukon Railway, to maintain and improve the rail service of the Yukon Territory.

The loan is non-interest bearing, and is repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2003. Instalments in arrears bear interest at the rate established by the Minister of Finance for loans to Crown corporations in effect on the day the instalment is payable.

### Canadian Arctic Producers Co-operative Limited

In 1971-72, a loan of \$250,000 was issued to Canadian Arctic Producers Co-operative Limited.

During the year, the loan was repaid in full.

### Chippewa Band of Kettlepoint

A non-interest bearing loan has been made to the Chippewa Band of Kettlepoint, to purchase Lots 60 and 61 in Lake Road, West Concession, in the Township of Bosanquet, County of Lambton, Ontario. Land claim negotiations are presently being held with the Band and it is expected that repayment will be made in full once a settlement is reached.

### Council for Yukon Indians

Loans have been made to the Council for Yukon Indians, to provide interim benefits to elderly Yukon Indians pending settlement of Yukon Indians land claims.

During the year, additional loans were authorized by Indian Affairs and Northern Development Vote L60, Appropriation Acts No 1 and No 2, 1985-86.

The loans are repayable in full upon settlement of land claims, and are non-interest bearing before an Agreement-in-Principle for the settlement of a claim is reached.

### Eskimo loan fund

Loans have been made to individual Eskimos or groups of Eskimos, to promote commercial activities and gainful occupations. Loans have also been made to co-operative associations, credit unions, caisses populaires or other credit societies incorporated under provincial laws, where the majority of members are Eskimos, or to corporations incorporated under the laws of Canada, or provincial laws, where the controlling interest is held by Eskimos.

The total amount authorized to be outstanding at any time is \$7,072,000.

The loans bear interest at rates from 5% to 21% per annum, and are repayable over 1 to 15 years, with final instalments between April 1, 1986 and June 18, 2000.

### Indian economic development

Loans have been made for the purposes of economic development of Indians, to Indians or Indian bands, or to individuals, partnerships or corporations, the activities of which contribute or may contribute to such development.

The total amount authorized to be outstanding at any time is \$70,000,000.

The loans bear interest at rates from 5% to 22.25% per annum, and are repayable over 1 month to 15 years, with final instalments between April 1, 1986 and March 31, 1999.

### Indian housing assistance

Second mortgage loans have been made to provide financial assistance to Indians and Inuit, for the construction and acquisition of houses and land, in areas other than Indian reserves. The purposes of the account were extended to authorize loans and advances to Indians and Inuit, for repairs or improvements to houses at time of purchase, in areas other than Indian reserves.

The total amount authorized to be outstanding at any time is \$20,000,000.

The loans are non-interest bearing, and are repayable in full by equal annual instalments or forgiveness, or, when the borrower sells the property. Whenever certain conditions of occupancy and maintenance are satisfied, instalments are forgiven at the rate of 10% per annum for up to 10 years.

During the year, \$495,522 was forgiven under the authority of Northern Affairs and National Resources Vote L51a, Appropriation Act No 9, 1966.

### Nanisivik Mines Ltd

The Government incurred capital expenditures of approximately \$24.4 million for the construction of infrastructure facilities for Nanisivik Mines Ltd. It is expected that the Government will recover approximately \$8.1 million.

In return for the infrastructure facilities provided, the Corporation issued to the Government, 1,800,000 common shares without nominal or par value. This represents 18% of the issued shares.

### Native claimants

Loans have been made to native claimants, to defray the costs related to the research, development and negotiation of claims.

During the year, additional loans were authorized by Indian Affairs and Northern Development Vote L55, Appropriation Acts No 1 and No 2, 1985-86.

The terms and conditions of the loans are as follows:

- (a) loans made before an Agreement-in-Principle for the settlement of a claim is reached are non-interest bearing;
- (b) loans made after the date on which an Agreement-in-Principle for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable, as to principal and interest, on the date on which the claim is settled, or on a date fixed in the agreement, which shall be not later than March 31, 1996, whichever date is earlier.

### Provincial workers' compensation boards

This account is operated under the authority of Section 3(4) of the Government Employees Compensation Act, to provide operating funds to enable provincial compensation boards to administer the Act on behalf of the Crown, and pay claims to Canadian Government employees injured in the course of their employment.

The total amount of advances that is authorized to be made to all provincial workers' compensation boards (except Quebec) is not to exceed three months' disbursements for compensation. The present limit for advances to the Province of Quebec is \$1,100,000.

The advances are non-interest bearing and are to be repaid on termination of agreements with provincial boards.

### Canadian Forces housing projects

Advances have been made to the Canada Mortgage and Housing Corporation, in respect of loans arranged by the Corporation for housing projects for occupancy by members of the Canadian Forces.

The loans bear interest at rates from 4% to 5.75% per annum, and are repayable over 35 to 48 years, with final instalments between August 1, 1996 and November 1, 2010.

### Burgeo Leasing Limited

Loans have been made to Burgeo Leasing Limited, for the construction of an extension to the wharf at Burgeo, Newfoundland. The total loan authority is \$240,000.

The loans bear interest based on the composite rate of 7.147% per annum, and are repayable in equal annual instalments over 25 years, with the final instalment on September 1, 1996.

### Eurocan Pulp and Paper Co Ltd

Loans have been made to Eurocan Pulp and Paper Co Ltd, for the construction of a marine terminal at Kitimat, British Columbia. The total loan authority is \$4,500,000.

The loans bear interest at rates from 7.062% to 7.812% per annum, and are repayable in equal annual instalments over 20 years, with the final instalment on March 31, 1991.

### Oil refinery terminal wharf at Come-by-Chance, Newfoundland

Loans have been made for the construction of an oil refinery terminal wharf at Come-by-Chance, Newfoundland. The total loan authority is \$28,200,520.

The loans bear interest at the rate of 1.803% per quarter, and are repayable in equal quarterly instalments over 15 years, with the final instalment on March 1, 1990. The instalments are in arrears since January 1, 1976. Parliamentary authority is required to write-off the balance.

### Sydney Steel Corporation

Loans have been made to Sydney Steel Corporation, for the construction of wharf facilities at Sydney, Nova Scotia. The total loan authority is \$6,000,000.

The loans bear interest at the rate of 9.078% per annum, and are repayable in equal annual instalments over 20 years, with the final instalment on June 12, 1998. The instalments are in arrears since June 1, 1979. Parliamentary authority is required to write-off the balance.

### Canadian defence industry

Advances have been made to assist Canadian defence industry with plant modernization.

During the year, write-offs of \$216,540 were made under the authority of Regional Industrial Expansion Vote 2c, Appropriation Act No 4, 1985-86.

The advances are non-interest bearing, and are repayable over 1 to 10 years, with final instalments between April 1, 1986 and December 31, 1991.

### Company stock option

This account records the purchase by the General Adjustment Assistance Board and the Enterprise Development Board, on behalf of Her Majesty in right of Canada, of the capital stock of a company in order to exercise a stock option in such company that has been taken by the Board in connection with the provision of a loan, or of insurance of a loan or a letter of credit made or issued to the company in accordance with the General Adjustment Assistance Regulations, the Automotive Manufacturing Assistance Regulations, or under the Enterprise Development Program, where, in the opinion of a Board established pursuant to Section 7 of the Department of Regional Industrial Expansion Act:

- (i) the value of the capital stock of the company has increased as a result of the assistance provided and the stock option should be exercised, in order to permit Her Majesty in right of Canada to benefit from the increased value of the capital stock of the company; or,
- (ii) the stock option should be exercised, to protect the Crown's interest in respect of the loan made or insurance provided; and,

to authorize the sale or other disposition of any capital stock so acquired.

During the year, additional purchases were authorized by Regional Industrial Expansion Vote L20, Appropriation Acts No 1 and No 2, 1985-86.

### Consolidated Computer Incorporated

In 1981-82, the Government disposed of its interest in Consolidated Computer Incorporated. The sum of \$100,000 was received from Nabu Manufacturing Corporation in consideration of the transfer to it of debentures obtained by the Government as a result of paying off certain loans incurred by Consolidated Computer Incorporated.

During the year, the amount outstanding was written-off by Regional Industrial Expansion Vote 2c, Appropriation Act No 4, 1985-86.

### Enterprise development program

This account records loans to:

- (a) a person engaged in a manufacturing or processing activity in Canada where, in the opinion of the Enter-

prise Development Board, such loan is required for the purpose of:

- (i) restructuring operations in order to adapt efficiently to competition from goods imported at such prices, in such quantities or under such conditions as to cause or threaten serious injury; or,
  - (ii) adjusting to changes in conditions affecting access to foreign markets which are attributable to the imposition by a country other than Canada of an import surtax or to the taking by such country of other actions having the same effect;
- (b) a person in respect of whom the Board has authorized the provision of insurance of a loan not exceeding \$200,000 where, in the opinion of the Board, such loan is required for the purpose of preventing a serious delay in implementing a restructuring program;
- (c) a person who has previously obtained assistance in accordance with the Automotive Manufacturing Assistance Regulations, the Pharmaceutical Industry Incentives Development Assistance Regulations or the Footwear and Tanning Industries Assistance Regulations or under the Enterprise Development Program or to any trustee or receiver authorized by law to carry on the business of such person or manufacturer where, in the opinion of the Board, such loan is required for the purpose of protecting the Crown's interest in the assets securing a loan previously made or a loan or letter of credit previously insured, where such a person is unable to obtain sufficient financing on reasonable terms from other sources for such purposes;
- (d) a person in Canada engaged or about to engage in the tanning or in the manufacture of footwear who, in the opinion of the Board, requires assistance to establish or restructure his operations in order to meet international competition;
- (e) a person engaged or about to engage in a manufacturing, processing or other commercial activity, for the purpose of promoting the establishment, growth, efficiency or international competitiveness of Canadian industry, and to foster the expansion of Canadian trade; and,
- (f) a person who has previously obtained assistance under a program of assistance to industry, or any trustee or receiver authorized by law to carry on the business of such person for the purpose of protecting the Crown's interest resulting therefrom.

The loans bear interest at rates from 8.375% to 9.333% per annum, and are repayable over 5 to 20 years, with final instalments between April 15, 1986 and December 1, 1998.

During the year, a write-off of \$4,935,000 was made under the authority of Regional Industrial Expansion Vote 2c, Appropriation Act No 4, 1985-86.

### Footwear and tanning industries adjustment program

Loans were made under the footwear and tanning industries adjustment program, to assist persons in Canada engaged or about to engage in the tanning or in the manufacture of footwear, who have been determined by the General Adjustment Assistance Board to be eligible for assistance to establish or restructure their operations, in order to meet international competition.

During the year, the loans were written-off pursuant to Regional Industrial Expansion Vote 2c, Appropriation Act No 4, 1985-86.

### Industrial and regional development program

Loans have been made to firms and industries to help them adjust to changing competitive conditions and to produce new, more viable and competitive products and services.

During the year, loans were authorized by Regional Industrial Expansion Vote L25, Appropriation Acts No 1 and No 2, 1985-86.

The loans bear interest at the rate of 12.625% per annum, and are repayable between January 1, 1989 and December 31, 1998.

### Kennedy Round agreement

Loans were made under the Adjustment Assistance Program related to the Kennedy Round agreement, to assist manufacturers in Canada who have been determined by a board established pursuant to Section 7 of the Department of Regional Industrial Expansion Act: (a) to be seriously injured or threatened with serious injury by reason of increased imports attributable to Kennedy Round tariff reductions made by Canada, resulting in exceptional problems of adjustment; (b) to be unable to obtain sufficient financing on reasonable terms from other sources, for purposes of making the necessary adjustment; (c) to require such loans in order to adapt efficiently to competition from goods imported at such prices, in such quantities or under such conditions as to cause or threaten serious injury; and, (d) to be unable to obtain sufficient financing on reasonable terms from other sources for such purposes. The category of persons eligible for loans also included a manufacturer or other person in Canada:

- (a) in respect of whom the General Adjustment Assistance Board has authorized the provision of insurance pursuant to Industry, Trade and Commerce Vote 30c, Appropriation Act No 1, 1968, of a loan therein described for an amount not exceeding \$200,000; and,
- (b) who, in the opinion of the Board, requires such loan to prevent serious delay in implementing the restructuring program approved by the Board.

During the year, the loans were written-off pursuant to Regional Industrial Expansion Vote 2c, Appropriation Act No 4, 1985-86.

### Radio Engineering Products Limited

Loans were made to Radio Engineering Products Limited, to provide working capital in order that it might remain viable and complete certain production.

Radio Engineering Products Limited was indebted to Revenue Canada for tax arrears of some \$3,500,000, and to the Department of Regional Industrial Expansion for approximately \$400,000 under the Defence Industry Productivity Program. At the time of the loans, the Government had acquired control of the Company. In November of 1975, the Company declared bankruptcy and the assets were subsequently disposed of.

During the year, the loans were written-off pursuant to Regional Industrial Expansion Vote 2c, Appropriation Act No 4, 1985-86.



## Parolees

Loans have been made to parolees and individuals under mandatory supervision, to assist in their rehabilitation.

The total amount authorized to be outstanding at any time is \$50,000.

The loans are non-interest bearing and are repayable before the expiration of the parole period, or within one year from the date the loans were made, whichever period is the shorter. The repayment of a loan or any part thereof may be forgiven by the Solicitor General, if certain conditions are met.

During the year, loans totalling \$19,259 were forgiven pursuant to Solicitor General Vote L103b, Appropriation Act No 1, 1969.

## Canadian Commercial Bank

This account represents the amount the Receiver General for Canada had on deposit with the Canadian Commercial Bank at the time the Bank ceased operation on September 1, 1985. Since this amount was not covered for reimbursement under the Financial Institutions Depositors Compensation Act, parliamentary authority is required to write-off the balance.

## Defence production loan account

This account was established pursuant to Section 15.1 of the Defence Production Act, to record loans or advances for any purpose other than to assist in the construction, acquisition, extension or improvement of capital equipment or works by any person.

Section 15.2 of the Defence Production Act stated that the aggregate of expenditures charged to the Defence production revolving fund (budgetary account), and to this account, shall not at any time exceed by more than \$100,000,000 the aggregate of amounts:

- (a) received from the sale or disposition of materials, substances or defence supplies;
- (b) charged to another appropriation in respect of costs of acquisition, storage, maintenance or transportation of stocks of materials or substances purchased, or of stocks of defence supplies acquired, where such materials, substances or defence supplies may be acquired under that appropriation;
- (c) charged to an appropriation or paid by an agent of Her Majesty or by an associated government, to pay costs incurred in respect of defence supplies, payment for which was made out and charged to the Defence production revolving fund; and,
- (d) received in repayment of a loan or advance previously charged to this account.

The balance in the account represents:

- (i) a repayment of \$1.7 million owed to this account by CAE Aircraft which is in dispute concerning the date when repayment is due. Legal counsel is of the opinion that no loss to the Government will be incurred; and,
- (ii) a working capital loan of \$15 million which bears interest at the rate of 11.875% per annum. There is no fixed date for the repayment of the loan.

## Coast Ferries Limited

A loan was made to the Corporation, for working capital purposes.

The loan bears interest at an annual rate equal to the rate established by the Minister of Finance in respect of Crown corporations' borrowings. The loan was due April 1, 1978. No interest and no repayment have been received since the loan was made.

## Corporation of the City of Montreal

A loan has been made to the Corporation of the City of Montreal, for the construction of a vehicular tunnel under the Lachine Canal at Atwater Avenue.

The loan bears interest at the rate of 3.125% per annum, and is repayable in equal annual instalments over 30 years, with the final instalment on June 20, 1991.

## Hamilton Harbour Commissioners

Loans have been made to the Hamilton Harbour Commissioners, to assist in the development of the harbour.

The total amount authorized to be outstanding at any time is \$4,000,000.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) bearing interest at the rate of 6.062% per annum, repayable in semi-annual instalments over 20 years, with the final instalment on June 30, 1987, \$122,864;
- (b) bearing interest at the rate of 5.562% per annum, repayable in semi-annual instalments over 20 years, with the final instalment on June 30, 1987, \$118,564; and,
- (c) bearing interest at the rate of 4.125% per annum, repayable in semi-annual instalments over 39 years, with the final instalment on January 31, 2001, \$725,000.

## Northern Transportation Company Limited

During the year, a loan was made to 141606 Canada Limited, to finance the acquisition of the former Northern Transportation Company Limited. On July 15, 1985, both corporations were amalgamated under the name of Northern Transportation Company Limited.

The loan bears interest at the rate of 4% per annum, is repayable in annual instalments equal to 40% of the annual cash flow of the new Corporation, and has an indefinite maturity date.

## Port Alberni Harbour Commission

Loans have been made to the Port Alberni Harbour Commission, to finance the construction of a new lumber assembly wharf.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) bearing interest at the rate of 8.062% per annum, repayable in semi-annual instalments over 20 years, with the final instalment on June 30, 1991, \$221,930; and,

(b) bearing interest at the rate of 7.187% per annum, repayable in semi-annual instalments over 20 years, with the final instalment on June 30, 1991, \$633,429.

Thunder Bay Harbour Commission

Loans have been made to the Thunder Bay Harbour Commission (formerly the Lakehead Harbour Commission), for the expansion of the Keefer terminal.

The loans bear interest at the rate of 7.437% per annum, and are repayable in semi-annual instalments over 15 years, with the final instalment on June 30, 1989.

Commonwealth War Graves Commission

Advances have been made to the working capital fund of the Commonwealth War Graves Commission, to maintain graves and cemeteries.

At year end, the balance of the advances was £30,000 UK. This balance was converted to \$61,704 Cdn, using the year-end rate of exchange (£1UK=\$2.0568 Cdn).

The advances are non-interest bearing and have no fixed terms of repayments.

ALLOWANCE FOR VALUATION

In accordance with the comprehensive policy on valuation, assets are subject to an annual valuation to reflect reductions from the recorded value to the estimated realizable value.

The allowance for valuation for loans, investments and advances, represents the estimated losses on the realization of the loans, investments and advances included in the accounts of Canada at year end.

SUPPLEMENTARY STATEMENT

Recorded Uncollected Interest

In accordance with the Government's stated accounting policies, interest due but not received is not reported as revenue. In certain cases, this uncollected interest is recorded by being added to the applicable loan and advance account, and credited to an uncollected interest account. Since the Government's policy is to report revenue only as received, the balance of the uncollected interest account is deducted from the loan and advance account, to present it on a net basis.

Table 8.16 reports the balances and transactions for the year in respect of the recorded uncollected interest.

TABLE 8.16  
RECORDED UNCOLLECTED INTEREST

	April 1/1985	Additions	Collections and deletions	March 31/1986
	\$	\$	\$	\$
Loans, investments and advances—				
Crown corporations—				
All other Crown corporations—				
Atomic Energy of Canada Limited—				
Housing	5,696		529	5,167
Bruce heavy water plant	39,214,056		3,868,383	35,345,673
Commercial products division	154,669		20,557	134,112
Irepreau nuclear station	50,062,316		589,875	49,472,441
Sheridan Park engineering design office	8,882		5,518	3,364
	89,445,619		4,484,862	84,960,757
Canada Development Investment Corporation—				
Eldorado Nuclear Limited	10,093,433			10,093,433
Canada Ports Corporation		4,856,123	485,612	4,370,511
Northern Canada Power Commission—Loans	10,028,009			10,028,009
St Lawrence Seaway Authority, The—Interest bearing loans	210,000,000			210,000,000
Provincial and territorial governments—				
Federal-provincial employment loans program	84,199		6,591	77,608
Special development loans program	3,342		330	3,012
Winter capital projects fund	2,682,612		93,324	2,589,288
Atlantic Development Board carry-over projects	142,044		2,115	139,929
Special areas and highways agreement	33,026,332		1,289,981	31,736,351
Regional electrical interconnections	14,301,303	6,526,440	731,771	20,095,972
Agricultural service centres—Loans	507,336	1,537	40,182	468,691
Atlantic Provinces Power Development Act	12,547,712		358,991	12,188,721
Yukon Territory small business loans	215,590	179,198		394,788
National governments including developing countries—				
Jamaica Economic assistance	1,375,000			1,375,000
The United Kingdom Financial Agreement Act, 1946	115,802,213			115,802,213
International organizations—				
International financial institutions—				
Inter-American Development Bank	5,940,471	475,817		6,416,288
Miscellaneous—				
Hydro-Quebec Research Institute	2,358,670		102,592	2,256,078
Saint John Harbour Bridge Authority	710,188	115,099		825,287
	509,264,073	12,154,214	7,596,351	513,821,936





# SECTION 9

## 1985-86 PUBLIC ACCOUNTS

### Specified Purpose Accounts

#### CONTENTS

	<i>Page</i>
Canada Pension Plan Account.....	9.2
Superannuation accounts .....	9.4
Government Annuities Account.....	9.8
Deposit and trust accounts .....	9.8
Provincial tax collection agreements account .....	9.17
Other specified purpose accounts.....	9.18
Supplementary statements—	
Canada Pension Plan Account and the Canada Pension Plan	
Investment Fund .....	9.26
Government Annuities Account.....	9.29
Royal Canadian Mounted Police (Dependants) Pension Fund .....	9.32

## SPECIFIED PURPOSE ACCOUNTS

Specified purpose accounts represent the recorded value of the financial obligations of the Government of Canada in its role as administrator of certain public moneys received or collected for specified purposes, under or pursuant to the legislation, trusts, treaties, undertakings or contracts. These public moneys may be paid out only for the purposes specified in or pursuant to the legislation, trusts, treaties, undertakings or contracts.

Because of the dedicated purposes of these moneys, specific accounts are required to be maintained to provide an accounting mechanism to ensure that the moneys are used only for the purposes for which they were received or collected. Legislation relating to some accounts permits investments to be made and, in certain cases, the balances of the accounts earn interest.

This section gives details of specified purpose accounts on which summary information was given in Sections 1 and 2 of this volume.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as receipts and other credits, and payments and other charges. In addition, the term "account(s) without current transactions" has been included in some tables, to show the net result of transactions in accounts which were closed out in the previous year.

The financial statements of the Canada Pension Plan Account and the Canada Pension Plan Investment Fund, the Government Annuities Account and the Royal Canadian Mounted Police (Dependants) Pension Fund, together with the Auditor General's reports thereon, are presented at the end of this section.

TABLE 9.1

### SPECIFIED PURPOSE ACCOUNTS

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease ( - )	
	\$	\$	\$	\$	1986	1985
Canada Pension Plan Account, Table 9.2 .....	29,056,451,679	7,656,727,005	4,998,376,850	31,714,801,834	2,658,350,155	2,444,480,847
Less: provincial government securities held by the						
Canada Pension Plan Investment Fund, Table 9.2 .....	27,349,096,000	25,354,000	2,172,870,000	29,496,612,000	2,147,516,000	2,233,064,000
	1,707,355,679	7,682,081,005	7,171,246,850	2,218,189,834	510,834,155	211,416,847
Superannuation accounts, Table 9.4 .....	37,516,859,742	5,559,344,497	1,286,901,437	41,789,302,802	4,272,443,060	3,725,539,479
Less: unamortized portion of actuarial deficiencies,						
Table 9.4 .....	526,641,243	406,955,206		119,686,037	- 406,955,206	- 576,952,981
	36,990,218,499	5,966,299,703	1,286,901,437	41,669,616,765	4,679,398,266	4,302,492,460
Unemployment Insurance Account <sup>(1)</sup> .....						
Government Annuities Account .....	1,095,429,638	73,608,071	109,247,290	1,059,790,419	- 35,639,219	- 28,174,380
Deposit and trust accounts, Table 9.11 .....	1,494,663,608	15,143,927,133	14,722,681,586	1,915,909,155	421,245,547	265,164,463
Provincial tax collection agreements account .....	1,616,730,417	13,982,433,292	14,209,601,041	1,389,562,668	- 227,167,749	308,390,822
Other specified purpose accounts, Table 9.14 .....	549,093,268	8,425,208,325	8,329,022,439	645,279,154	96,185,886	71,741,875
Total .....	43,453,491,109	51,273,557,529	45,828,700,643	48,898,347,995	5,444,856,886	5,131,032,087

<sup>(1)</sup> This account was reclassified as budgetary in 1985-86. The transactions in this account are now reported as revenue and expenditure on the Statement of Revenue and Expenditure. This reclassification was applied retroactively and the previous year's deficit and accumulated deficit have been restated for consistency. Additional information is provided in Section 7 of this volume and in the notes to the audited financial statements (Section 2 of this volume).

## Canada Pension Plan Account

The Canada Pension Plan is a compulsory contributory social insurance plan which enables members of the labour force to acquire and retain protection for themselves and their families against loss of income due to retirement, disability or death. Established in 1965, the Plan applies in all parts of Canada, except the Province of Quebec which has a comparable plan.

Under existing arrangements, all benefits and costs incurred in the administration of the program are financed from contri-

butions made by employees, employers and self-employed persons, and the interest earned from the investment of funds.

The Government's financial obligation, as administrator of the Canada Pension Plan, is limited to the balance in the Account.

Table 9.2 presents a summary of the balances and transactions in the Canada Pension Plan Account less investment in securities of the provinces held by the Canada Pension Plan Investment Fund.

TABLE 9.2  
CANADA PENSION PLAN ACCOUNT

	Net increase or decrease ( - )					
	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	1986	1985
	\$	\$	\$	\$	\$	\$
Canada Pension Plan Account, Table 9.3	29,056,451,679	7,656,727,005	4,998,376,850	31,714,801,834	2,658,350,155	2,444,480,847
Less: provincial government securities held by the Canada Pension Plan Investment Fund—						
Newfoundland	570,178,000	655,000	50,570,000	620,093,000	49,915,000	47,146,000
Nova Scotia	1,078,291,000		91,752,000	1,170,043,000	91,752,000	85,762,000
Prince Edward Island	119,664,000	108,000	8,975,000	128,531,000	8,867,000	10,500,000
New Brunswick	819,142,000	972,000	46,125,000	864,295,000	45,153,000	67,087,000
Quebec	109,874,000		5,792,000	115,666,000	5,792,000	5,400,000
Ontario	14,633,710,000	20,110,000	1,213,502,000	15,827,102,000	1,193,392,000	1,133,182,000
Manitoba	1,558,714,000	2,077,000	125,961,000	1,682,598,000	123,884,000	119,316,000
Saskatchewan	1,240,101,000	1,432,000	112,507,000	1,351,176,000	111,075,000	104,274,000
Alberta	3,053,174,000		332,280,000	3,385,454,000	332,280,000	305,422,000
British Columbia	4,166,248,000		185,406,000	4,351,654,000	185,406,000	354,975,000
	27,349,096,000	25,354,000	2,172,870,000	29,496,612,000	2,147,516,000	2,233,064,000
Total	1,707,355,679	7,682,081,005	7,171,246,850	2,218,189,834	510,834,155	211,416,847

Receipts and other credits include:

- (a) contributions of: (i) 1.8% of earnings by employees earning over \$2,300 for the 1985 calendar year and \$2,500 for the 1986 calendar year, with matching contributions by employers, subject to maximum payments of \$379.80 for the 1985 calendar year and \$419.40 for the 1986 calendar year and (ii) 3.6% of earnings of self-employed persons over \$2,300 for the 1985 calendar year and \$2,500 for the 1986 calendar year, subject to maximum payments of \$759.60 for the 1985 calendar year and \$838.80 for the 1986 calendar year; and,
- (b) interest received from securities of the Canada Pension Plan Investment Fund, and from the average daily operating balance.

Receipts and other credits for provincial government securities held by the Canada Pension Plan Investment Fund represent the redemption of provincial government securities which commenced in March 1986.

Payments and other charges include:

- (a) benefits paid under the Canada Pension Plan as retirement pensions, survivors' benefits paid to widows, widowers and orphans, or as lump sum death benefits, and disability pensions and benefits to children of disabled contributors;
- (b) benefits paid and recovered from the Canada Pension Plan, in accordance with an agreement with a province providing a comprehensive pension plan;

- (c) payments that are required to be charged to the Canada Pension Plan Account, in accordance with reciprocal agreements with other countries; and,
- (d) the costs of administration of the Plan.

When the operating balance exceeds the estimated amount required to meet all payments in the following three-month period, the excess is available for the purchase of securities of the provinces and Canada.

Provinces are advised monthly of the amount of excess moneys in the Canada Pension Plan Account that is available for the purchase of provincial securities. The amount available to each province is the proportion that contributions made to the Plan during the preceding ten years in respect of employment in the province, bears to total contributions. Contributions received in respect of employment in the Yukon Territory, the Northwest Territories and from certain other employees outside Canada, are invested in the special non-marketable bonds of the Government of Canada.

Certain federal employees, such as members of the Canadian Armed Forces, who are resident in the Province of Quebec, contribute to the Canada Pension Plan. The securities of Quebec which are purchased by the Plan relate to the contributions of these employees.

On the Statement of Assets and Liabilities of the Government of Canada, the investment in securities issued by provinces, as charged to the Canada Pension Plan Investment Fund, is deducted from the Canada Pension Plan Account.

TABLE 9.3

CANADA PENSION PLAN ACCOUNT  
(in millions of dollars)

	1985-86	1984-85
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions—		
Employees, employers and self-employed	4,495	3,879
Interest on investments	3,010	2,737
Interest on monthly operating balance	152	152
	7,657	6,768
<b>PAYMENTS AND OTHER CHARGES—</b>		
Benefits	4,887	4,224
Expenses	111	100
	4,998	4,324
Excess of receipts and other credits over payments and other charges	2,659	2,444
<b>Funds applied—</b>		
Purchases of bonds—		
Provincial	2,173	2,233
Federal	240	17
Increase in deposits with Receiver General	271	194
	2,684	2,444
<b>Less: funds provided—</b>		
Redemption of bonds—		
Provincial	25	
Federal	(1)	
	25	
Net increase	2,659	2,444
Balance at beginning of year	29,056	26,612
Balance at end of year	31,715	29,056

(1) Less than \$500,000.

from the Government and participating Public Service corporations, transfers from other pension funds, other Government contributions related to actuarial liability adjustments (not applicable to the Supplementary Retirement Benefits Account), and interest. Payments and other charges for the superannuation accounts consist of payments of pensions, minimum benefits, cash termination allowances (lump sum payments to employees suffering a disability), refunds of contributions and transfers to other plans.

The Public Pensions Reporting Act, as passed by the House of Commons on February 10, 1986, requires that actuarial reviews be conducted at a date not later than four years after the last review date and, thereafter, at dates not more than three years apart. As specified in that Act, the last review dates are deemed to be December 31, 1983 for the Public Service Superannuation Account, December 31, 1983 for the Canadian Forces Superannuation Account, and December 31, 1985 for the Royal Canadian Mounted Police Superannuation Account. In accordance with the legislation governing the three superannuation plans, the Minister of Finance has the authority to direct that any actuarial deficiency found will be credited to the appropriate account, charged to unamortized portion of actuarial deficiencies, and amortized to expenditure in five equal annual instalments commencing in the year in which the actuarial report is laid before Parliament. In addition, the cost of added liabilities, created by the authorization of salary increases each year, is credited to the superannuation accounts, charged to unamortized portion of actuarial deficiencies, and amortized to expenditure over a period of five years commencing in the year in which the increases are authorized.

Since the quarter ending September 30, 1969, the regulations, made pursuant to each of the superannuation acts, have provided for the calculation of interest at a rate related to the Canada Pension Plan interest rate. The acts further provide that the amount by which the calculated interest rate (currently about 11% per annum) exceeds the amount of interest calculated at the rate used in the latest actuarial report (currently 6.5% per annum for the Public Service, Canadian Forces and Royal Canadian Mounted Police Superannuation Accounts), may be used to reduce the amortization of actuarial deficiency adjustments charged to budgetary expenditure. Any of these interest earnings not needed to reduce amortization charges are credited to the respective Accounts.

Table 9.4 presents a summary of the balances and transactions for the superannuation accounts including the unamortized portion of actuarial deficiencies. Table 9.5 presents an analysis of actuarial deficiency adjustments.

Table 9.6 presents a summary of transactions in superannuation accounts that resulted in charges to budgetary expenditure. In 1985-86, \$5,734 million was charged to budgetary expenditure on account of superannuation plans. This was composed of Government contributions, \$785 million; increased superannuation benefits paid during the year due to indexation in excess of the superannuates' share of contributions to the Supplementary Retirement Benefits Account, \$735 million; and, interest, \$4,214 million (\$3,807 million credited to the superannuation accounts and \$407 million of interest earnings in excess of 6.5% on the main superannuation accounts which was used to reduce the amortization of actuarial deficiency adjustments).

## Superannuation Accounts

The Government provides pensions to retired employees or their dependants through pension schemes authorized by the Public Service Superannuation Act, the Canadian Forces Superannuation Act and the Royal Canadian Mounted Police Superannuation Act. These pensions are indexed to the cost of living under authority of the Supplementary Retirement Benefits Act. The Government's liabilities in its role as administrator of these pension plans in respect of its employees and certain other contributors, are recorded in the relevant superannuation accounts.

Legislation for basic pensions provides for employee contributions (6½% of salary), employer contributions (prior year's employee contributions for members of the Public Service, and approximately 1.8 and 2.0 times current year's employee contributions for members of the Canadian Forces and the Royal Canadian Mounted Police respectively), allocation of interest (average market yield of 20 year Canada bonds weighted by the quarterly excess of receipts over disbursements in the three accounts each quarter over 20 years), and actuarial valuation deficiencies. Legislation for indexing basic pensions does not require actuarial valuations but does provide for additional employee contributions (1% of salary), matching employer contributions and allocation of interest (current rate of 5 year Canada bonds).

Receipts and other credits for the superannuation accounts consist of contributions from personnel, related contributions



TABLE 9.4

## SUPERANNUATION ACCOUNTS

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease ( - )	
					1986	1985
	\$	\$	\$	\$	\$	\$
Public Service Superannuation Account, Table 9.7 .....	19,919,638,902	3,039,132,106	804,625,904	22,154,145,104	2,234,506,202	1,939,040,165
Less: unamortized portion of actuarial deficiency .....	297,153,800	243,712,000		53,441,800	- 243,712,000	- 355,586,315
	<i>19,622,485,102</i>	<i>3,282,844,106</i>	<i>804,625,904</i>	<i>22,100,703,304</i>	<i>2,478,218,202</i>	<i>2,294,626,480</i>
Canadian Forces Superannuation Account, Table 9.8 ..	13,351,721,682	1,700,332,203	410,632,384	14,641,421,501	1,289,699,819	1,083,524,364
Less: unamortized portion of actuarial deficiency .....	217,215,643	151,977,106		65,238,537	- 151,977,106	- 202,449,306
	<i>13,134,506,039</i>	<i>1,852,309,309</i>	<i>410,632,384</i>	<i>14,576,182,964</i>	<i>1,441,676,925</i>	<i>1,285,973,670</i>
Royal Canadian Mounted Police Superannuation Account, Table 9.9 .....	1,828,073,901	298,704,027	29,835,088	2,096,942,840	268,868,939	233,017,990
Less: unamortized portion of actuarial deficiency .....	12,271,800	11,266,100		1,005,700	- 11,266,100	- 18,917,360
	<i>1,815,802,101</i>	<i>309,970,127</i>	<i>29,835,088</i>	<i>2,095,937,140</i>	<i>280,135,039</i>	<i>251,935,350</i>
Supplementary Retirement Benefits Account, Table 9.10 .....	2,417,425,257	521,176,161	41,808,061	2,896,793,357	479,368,100	469,956,960
Total .....	36,990,218,499	5,966,299,703	1,286,901,437	41,669,616,765	4,679,398,266	4,302,492,460
Summary—						
Superannuation accounts .....	37,516,859,742	5,559,344,497	1,286,901,437	41,789,302,802	4,272,443,060	3,725,539,479
Less: unamortized portion of actuarial deficiencies ..	526,641,243	406,955,206		119,686,037	- 406,955,206	- 576,952,981
Total .....	36,990,218,499	5,966,299,703	1,286,901,437	41,669,616,765	4,679,398,266	4,302,492,460

TABLE 9.5

## ANALYSIS OF ACTUARIAL DEFICIENCY ADJUSTMENTS FOR 1985-86

(in millions of dollars)

	Arising from salary increments				Arising from actuarial valuations				Total
	Public Service Super- annuation Account	Canadian Forces Super- annuation Account	Royal Canadian Mounted Police Superannuation Account	Sub- total	Public Service Super- annuation Account	Canadian Forces Super- annuation Account	Royal Canadian Mounted Police Superannuation Account	Sub- total	
Actuarial deficiency adjustments recognized <sup>(1)</sup> .....	1,219	760	56	2,035					2,035
Less: amount amortized to March 31, 1985 .....	922	542	44	1,508					1,508
Unamortized balance at March 31, 1985 .....	297	218	12	527					527
Add: current year actuarial defi- ciency adjustments .....									
Less: current year amortization .....	244	152	11	407					407
Unamortized balance at March 31, 1986 .....	53	66	1	120					120

<sup>(1)</sup> Represents actuarial deficiency adjustments recognized prior to 1985-86 for which the amounts have not yet been fully amortized.

TABLE 9.6

## SUMMARY OF TRANSACTIONS IN SUPERANNUATION ACCOUNTS THAT RESULTED IN CHARGES TO BUDGETARY EXPENDITURE

(in millions of dollars)

	1985-86						1984-85
	Government contributions	Net amortization of actuarial deficiency adjustments <sup>(1)</sup>	Supplementary Retirement Benefits Account	Interest <sup>(1)</sup>		Total	
				A	B		
Public Service Superannuation Account.....	391		453	1,993	244	3,081	2,765
Canadian Forces Superannuation Account.....	223		262	1,350	152	1,987	1,775
Royal Canadian Mounted Police Superannuation Account.....	68		20	196	11	295	262
Supplementary Retirement Benefits Account.....	103			268		371	360
Total.....	785		735	3,807	407	5,734	5,162

<sup>(1)</sup> Column A represents interest earnings credited to the Accounts. Column B represents interest earnings in excess of 6.5% on each respective Account which were charged to interest on public debt, and applied against the amortization of actuarial deficiency adjustments. In 1985-86, net amortization charges were nil.

## Public Service Superannuation Account

This account is operated under the Public Service Superannuation Act.

The unamortized portion of the actuarial deficiency in the Public Service Superannuation Account is \$53 million, compared with \$297 million at March 31, 1985. During the year, \$244 million was amortized as a charge to budgetary expenditure, all of which was charged to interest on public debt.

## Canadian Forces Superannuation Account

This account is operated under the Canadian Forces Superannuation Act.

The unamortized portion of the actuarial deficiency in the Canadian Forces Superannuation Account is \$66 million, compared with \$218 million at March 31, 1985. During the year, \$152 million was amortized as a charge to budgetary expenditure, all of which was charged to interest on public debt.

TABLE 9.7

## PUBLIC SERVICE SUPERANNUATION ACCOUNT

	1985-86	1984-85
	\$	\$
Opening balance.....	19,919,638,902	17,980,598,737
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Government employees.....	383,849,510	379,102,314
Retired employees.....	16,343,580	13,656,120
Public Service corporation employees.....	123,875,978	124,144,744
Matching contributions—		
Government.....	391,046,591	372,905,203
Public Service corporations.....	121,656,530	121,979,063
Transfers from other pension funds.....	9,738,181	7,298,198
Interest.....	1,992,621,736	1,615,140,017
Actuarial liability adjustment <sup>(1)</sup> .....		
	3,039,132,106	2,634,225,659
	22,958,771,008	20,614,824,396
PAYMENTS AND OTHER CHARGES—		
Annuities.....	730,310,891	637,363,120
Cash termination allowances.....	378,661	285,788
Minimum benefits.....	9,094,813	9,139,294
Returns of contributions—		
Government employees.....	39,017,556	30,741,080
Public Service corporation employees.....	22,364,941	12,290,799
Transfers to other pension funds.....	3,459,042	5,365,413
	804,625,904	695,185,494
Closing balance.....	22,154,145,104	19,919,638,902

<sup>(1)</sup> No actuarial liability adjustment was made in 1984-85 and 1985-86 with respect to actuarial review and salary increases authorized in excess of 5.5%.

TABLE 9.8

## CANADIAN FORCES SUPERANNUATION ACCOUNT

	1985-86	1984-85
	\$	\$
Opening balance.....	13,351,721,682	12,268,197,318
RECEIPTS AND OTHER CREDITS—		
Contributions by personnel.....	125,270,341	119,846,665
Contributions by the Government.....	222,981,505	212,109,856
Interest.....	1,350,209,785	1,125,115,220
Actuarial liability adjustment <sup>(1)</sup> .....		
Other.....	1,870,572	2,115,520
	1,700,332,203	1,459,187,261
	15,052,053,885	13,727,384,579
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowances payments.....	394,696,281	362,822,818
Cash termination allowances and returns of contributions.....	14,467,859	12,039,717
Transfers to Public Service Superannuation Account (Treasury Board).....	1,468,175	755,930
Other.....	69	44,432
	410,632,384	375,662,897
Closing balance.....	14,641,421,501	13,351,721,682

<sup>(1)</sup> No actuarial liability adjustment was made in 1984-85 and 1985-86 with respect to actuarial review and salary increases authorized in excess of 5.5%.

## Royal Canadian Mounted Police Superannuation Account

This account is operated under the Royal Canadian Mounted Police Superannuation Act.

The unamortized portion of the actuarial deficiency in the Royal Canadian Mounted Police Superannuation Account is \$1 million, compared with \$12 million at March 31, 1985. During the year, \$11 million was amortized as a charge to budgetary expenditure, all of which was charged to interest on public debt.

TABLE 9.9

## ROYAL CANADIAN MOUNTED POLICE SUPERANNUATION ACCOUNT

	1985-86	1984-85
	\$	\$
Opening balance.....	1,828,073,901	1,595,055,911
<b>RECEIPTS AND OTHER CREDITS—</b>		
Contributions from personnel (current and arrears) .....	34,275,444	33,837,986
Contributions by the Government (statutory) .....	68,323,017	67,447,111
Interest .....	196,105,566	156,956,351
Actuarial liability adjustment <sup>(1)</sup> .....		121,311
Transfers from other pension funds .....		
	298,704,027	258,362,759
	2,126,777,928	1,853,418,670
<b>PAYMENTS AND OTHER CHARGES—</b>		
Annuities and allowances payments .....	27,440,466	23,628,511
Cash termination allowances and returns of contributions .....	2,048,216	1,472,583
Transfers to other pension funds .....	130,704	92,237
Interest on returns of contributions .....	215,702	151,438
	29,835,088	25,344,769
Closing balance.....	2,096,942,840	1,828,073,901

<sup>(1)</sup> No actuarial liability adjustment was made in 1984-85 and 1985-86 with respect to actuarial review and salary increases authorized in excess of 5.5%.

TABLE 9.10

SUPPLEMENTARY RETIREMENT BENEFITS ACCOUNT  
(in thousands of dollars)

	Public Service		Canadian Forces		Royal Canadian Mounted Police		Parliament		Others		Total	
	1985-86	1984-85	1985-86	1984-85	1985-86	1984-85	1985-86	1984-85	1985-86	1984-85	1985-86	1984-85
Opening balance.....	1,791,601	1,440,193	490,920	399,205	125,926	100,973	4,024	3,375	4,954	3,722	2,417,425	1,947,468
<b>RECEIPTS AND OTHER CREDITS—</b>												
Employee contributions—												
Public Service corporations .....	23,474	23,092									23,474	23,092
Government .....	71,989	70,232	23,719	22,448	6,250	6,084	235	270	526	392	102,719	99,426
Matching contributions—												
Public Service corporations .....	23,704	23,405									23,704	23,405
Government .....	71,994	70,248	23,663	22,517	6,242	6,083	233	245	525	395	102,657	99,488
Interest .....	199,233	192,774	54,393	53,210	13,876	13,372	385	361	450	454	268,337	260,171
Transfers from other pension funds .....	265	113	6	6	14	14					285	133
	390,659	379,864	101,781	98,181	26,382	25,553	853	876	1,501	1,241	521,176	505,715
	2,182,260	1,820,057	592,701	497,386	152,308	126,526	4,877	4,251	6,455	4,963	2,938,601	2,453,183
<b>PAYMENTS AND OTHER CHARGES—</b>												
Annuities .....	20,200	19,684	5,809	4,354	473	309	26	9	5	9	26,513	24,365
Cash termination allowances .....	24	28									24	28
Minimum benefits .....	388	356									388	356
Returns of contributions—												
Public Service corporations .....	3,999	2,221									3,999	2,221
Government .....	7,249	5,669	2,654	2,052	385	278	22	218	2		10,312	8,217
Transfers to other pension funds .....	450	498	108	60	14	13					572	571
	32,310	28,456	8,571	6,466	872	600	48	227	7	9	41,808	35,758
Closing balance.....	2,149,950	1,791,601	584,130	490,920	151,436	125,926	4,829	4,024	6,448	4,954	2,896,793	2,417,425

## Supplementary Retirement Benefits Account

This account was established by the Supplementary Retirement Benefits Act, to provide for the payment of increased pension benefits resulting from indexation. Actuarial valuation of the Account is not required by the legislation.

The Chief Actuary of the Department of Insurance has estimated that, after allowing for surpluses (there were no deficits) in the three basic accounts, the actuarial present value of unfunded supplementary retirement benefits, including provision for future indexation, in respect of benefits earned as at March 31, 1986, payable to active or retired contributors or their dependants pursuant to the Public Service, Canadian Forces and Royal Canadian Mounted Police Superannuation Acts, was \$4 billion, or \$4.1 billion if the Royal Canadian Mounted Police which has no net unfunded supplementary retirement benefits is excluded. This amount is substantially less than the \$15.5 billion reported as at March 31, 1985 primarily because the estimate is based on dynamic economic assumptions which make substantial allowance for the relatively high interest rates that will be credited to the accounts at least for a number of years (the interest rate was assumed to decrease from a level of 10.2% in 1986 to 6% for 2006 and subsequent years) and make allowance for what are currently considered to be reasonably realistic price and salary increases. The other assumptions are as described in the last tabulated actuarial reports on the three superannuation accounts. It was further estimated that on the basis of the ultimate economic assumptions on which those reports are based, including an assumed interest rate of 6.5%, the actuarial present value of unfunded supplementary benefits as at March 31, 1986, after allowing for surpluses (there were no deficits) in the three basic accounts, would have been \$19.8 billion. It should be noted that for purposes of the foregoing calculations the Public Service Superannuation Account was assumed to include the matching Government credit due but not paid as at March 31, 1986 of \$400.2 million.

Increased superannuation benefits paid during the year due to indexation amounted to \$762 million (\$700 million in 1984-85), of which \$735 million (\$676 million in 1984-85) represents benefits to superannuates in excess of their share of contributions to the account which has been charged to budgetary expenditure. The payments charged to budgetary expenditure on behalf of contributors amounted to \$453 million (\$421 million in 1984-85) for the Public Service Superannuation Account of which it is estimated that \$36 million (\$34 million in 1984-85) pertains to former employees of Public Service corporations, \$262 million (\$236 million in 1984-85) for the Canadian Forces Superannuation Account, and \$20 million (\$19 million in 1984-85) for the Royal Canadian Mounted Police Superannuation Account. An amount of \$27 million (\$24 million in 1984-85) was charged to the Supplementary Retirement Benefits Account.

## Government Annuities Account

This account was established by the Government Annuities Act, and modified by the Government Annuities Improvement Act, which discontinued sales of annuities in 1975. The account is valued on an actuarial basis each year, with the deficit or surplus charged or credited to the Consolidated Revenue Fund.

The purpose of the Government Annuities Act was to assist Canadians to provide for their later years, by the purchase of

Government annuities. The Government Annuities Improvement Act increased the rate of return and flexibility of Government annuity contracts.

Receipts and other credits consist of premiums received, funds reclaimed from the Consolidated Revenue Fund for previously unlocated annuitants, earned interest and items transferred from previous years' revenue to cover the actuarial deficit. Payments and other charges represent matured annuities, the commuted value of death benefits, premium refunds and withdrawals, and actuarial surpluses and unclaimed items transferred to non-tax revenue. The amounts of unclaimed annuities, related to annuitants who cannot be located, are transferred to non-tax revenue.

## Deposit and Trust Accounts

Deposit and trust accounts is a group of liabilities representing the Government's financial obligations in its role as administrator of certain moneys that it has received or collected for specified purposes and that it will pay out accordingly. To the extent that the funds received are represented by securities, these are deducted from the corresponding accounts to show the Government's net liability.

Table 9.11 presents a summary of the balances and transactions in deposit and trust accounts.

TABLE 9.11

### DEPOSIT AND TRUST ACCOUNTS

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease (-)	
	\$	\$	\$	\$	1986	1985
<b>Deposit accounts—</b>						
Agriculture—						
Canadian Dairy Commission account .....	20,560,731	1,232,672,035	1,204,206,000	49,026,766	28,466,035	20,556,976
Consumer and Corporate Affairs—						
Canada Post Corporation account .....	305,029,031	9,451,751,133	9,359,551,351	397,228,813	92,199,782	- 27,960,839
Security deposits—Bankruptcy Act .....	7,000			7,000		
Less: securities held in trust .....	7,000			7,000		
	305,029,031	9,451,751,133	9,359,551,351	397,228,813	92,199,782	- 27,960,839
Employment and Immigration—						
Immigration guarantee fund .....	5,892,356	2,344,650	1,686,142	6,550,864	658,508	674,945
Less: securities held in trust .....	50,000		10,000	60,000	10,000	- 15,000
	5,842,356	2,344,650	1,696,142	6,490,864	648,508	689,945
Energy, Mines and Resources—						
Guarantee deposits—Oil and gas .....	33,500,000	3,000,000	3,500,000	33,000,000	- 500,000	- 21,257,520
Less: securities held in trust .....	33,500,000	3,500,000	3,000,000	33,000,000	- 500,000	- 21,230,759
		6,500,000	6,500,000			- 26,761
Environment—						
Guarantee deposits .....	116,000			116,000		92,000
Less: securities held in trust .....	116,000			116,000		92,000
External Affairs—						
Fairs and missions .....	370,630	687,372	795,790	262,212	- 108,418	- 76,439
Finance—						
Canada Development Investment Corporation .....		77,300,000		77,300,000	77,300,000	
Crown corporations' surplus moneys—						
Canadian Commercial Corporation .....	8,000,000			8,000,000		
St Lawrence Seaway Authority, The .....	13,000,000			13,000,000		8,000,000
	21,000,000	77,300,000		98,300,000	77,300,000	8,000,000



TABLE 9.11

## DEPOSIT AND TRUST ACCOUNTS—Continued

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease ( - )	
	\$	\$	\$	\$	1986	1985
Fisheries and Oceans—						
Guarantee deposits		150	100	50	50	- 3,010
Indian Affairs and Northern Development—						
Guarantee deposits	142,148,425	40,473,638	77,204,838	105,417,225	- 36,731,200	38,370,123
Less: securities held in trust	141,799,000	76,993,000	40,057,000	104,863,000	- 36,936,000	38,334,893
	349,425	117,466,638	117,261,838	554,225	204,800	35,230
Guarantee deposits—Reserve resources	455,428	23,082	10,493	468,017	12,589	- 215,982
Guarantee deposits—Rotating herds	11,178		8,087	3,091	- 8,087	1,035
Indian contributions to the subsidy housing program	19,959			19,959		
Indian savings accounts	76,879,131	38,693,320	5,864,137	109,708,314	32,829,183	23,526,981
	77,715,121	156,183,040	123,144,555	110,753,606	33,038,485	23,347,264
National Revenue—						
Customs and Excise—						
Guarantee deposits	5,594,514	3,745,980	2,296,499	7,043,995	1,449,481	- 12,523
Less: securities held in trust	5,378,500	2,239,600	3,707,000	6,845,900	1,467,400	33,600
	216,014	5,985,580	6,003,499	198,095	- 17,919	- 46,123
Temporary deposits received from importers	3,373,558		634,805	2,738,753	- 634,805	953,152
Less: deposits in special bank accounts	3,373,558	634,805	634,805	2,738,753	- 634,805	953,152
	216,014	6,620,385	6,638,304	198,095	- 17,919	- 46,123
Privy Council—						
Chief Electoral Officer—Candidates' elec- tion deposits	157,400		157,400		- 157,400	152,200
Public Works—						
Harbourfront capital account	3,841,370	2,994,004	239,617	6,595,757	2,754,387	3,841,370
Regional Industrial Expansion—						
Canada Development Corporation		123,040,144		123,040,144	123,040,144	
Fairs, shows and seminars	29,939	148,381	118,482	59,838	29,899	- 54,783
	29,939	123,188,525	118,482	123,099,982	123,070,043	- 54,783
Supply and Services—						
Contractors' security deposits (departments and agencies)—						
Bonds	9,035,900	19,790,140	19,565,740	9,260,300	224,400	5,160,144
Less: securities held in trust	9,035,900	271,135	495,535	9,260,300	224,400	5,160,144
		20,061,275	20,061,275			
Cash	19,694,270	71,557,990	72,608,764	18,643,496	- 1,050,774	4,470,221
Certified cheques	1,036,530	11,705,543	5,711,901	7,030,172	5,993,642	- 1,145,918
Less: securities held in trust	1,011,481	1,797,125	7,719,622	6,933,978	5,922,497	- 312,227
	25,049	13,502,668	13,431,523	96,194	71,145	- 833,691
Royal Canadian Mint account	21,778,501	2,973,119,602	2,979,786,786	15,111,317	- 6,667,184	4,148,579
SNC Defence Products Inc.		4,711,247		4,711,247	4,711,247	
	41,497,820	3,082,952,782	3,085,888,348	38,562,254	- 2,935,566	7,785,109
Instalments (payroll deductions) made by employees in the purchase of Canada savings bonds—						
National Defence	16,326,422	45,985,987	42,088,794	20,223,615	3,897,193	1,949,474
Solicitor General—Royal Canadian Mounted Police	7,720,523	16,915,441	24,643,364	- 7,400	- 7,727,923	771,643
Supply and Services	58,303,903	409,354,790	398,454,143	69,204,550	10,900,647	4,247,729
	82,350,848	472,256,218	465,186,301	89,420,765	7,069,917	6,968,846
Account without current transactions						6,000
Total deposit accounts	558,611,260	14,615,450,294	14,254,122,390	919,939,164	361,327,904	43,179,755
Trust accounts—						
Communications—						
National Museums of Canada—						
Trust account	416,806	590,829	424,056	583,579	166,773	25,464
Less: securities held in trust	2,000			2,000		
	414,806	590,829	424,056	581,579	166,773	25,464
National Library—Special operating account	28,718	15,540	16,728	27,530	- 1,188	- 23,748
Public Archives—Mackenzie King trust account	278,881	24,503	25,758	277,626	- 1,255	579
	722,405	630,872	466,542	886,735	164,330	2,295
Consumer and Corporate Affairs—						
Shares in trust—Bankruptcy Act	31,266			31,266		- 490
Less: securities held in trust	31,266			31,266		- 490



TABLE 9.11

## DEPOSIT AND TRUST ACCOUNTS—Continued

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease (—)	
	\$	\$	\$	\$	1986	1985
Share proceeds in trust—Bankruptcy Act ..	57,888	4,802		62,690	4,802	5,025
Unclaimed dividends and undistributed assets—						
Bankruptcy Act .....	3,106,729	1,165,510	590,882	3,681,357	574,628	41,684
Canada Business Corporations Act .....	87,097	9,365		96,462	9,365	5,602
Winding-up Act .....	140,297	37,023	416	176,904	36,607	— 325
	3,392,011	1,216,700	591,298	4,017,413	625,402	51,986
Environment—						
National Battlefields Commission—						
Trust fund .....	109,659			109,659		109,659
External Affairs—						
Canada Foundation account .....	256,688	99,566	55,968	300,286	43,598	— 48,632
Less: securities held in trust .....	48,220	457,782	455,623	46,061	— 2,159	— 216,388
deposits in a special bank account ..	208,468	511,591	557,348	254,225	45,757	167,756
		1,068,939	1,068,939			
Canadian International Development Agency—						
International agencies—Travel account ..	35,119	88,398	103,644	19,873	— 15,246	6,699
	35,119	1,157,337	1,172,583	19,873	— 15,246	6,699
Finance—						
Common school funds—Ontario and Quebec .....	2,677,771			2,677,771		
Custodian administration account .....	1,303,138		1,303,138		— 1,303,138	
Foreign claims fund .....	1,737,648	215,222	1,074,358	878,512	— 859,136	94,914
Halifax 1917 explosion pension account .....	1,126,174	89,288	163,668	1,051,794	— 74,380	— 57,477
Less: securities held in trust .....	190,000			190,000		
	936,174	89,288	163,668	861,794	— 74,380	— 57,477
War claims fund—World War II .....	9,940,705	963,428		10,904,133	963,428	851,507
	16,595,436	1,267,938	2,541,164	15,322,210	— 1,273,226	888,944
Fisheries and Oceans—						
Great Lakes Fishery Commission—						
Lamprey research and control .....	11,359	229,761	187,458	53,662	42,303	— 132,044
Indian Affairs and Northern Development—						
Indian agencies revenue trust bank accounts .....	73,224	4,986		78,210	4,986	— 44,964
Less: deposits in special bank accounts ....	73,224		4,471	77,695	4,471	— 44,964
		4,986	4,471	515	515	
Indian band funds—						
Capital accounts, Table 9.12 .....	660,700,868	338,232,248	221,187,284	777,745,832	117,044,964	151,000,555
Revenue accounts, Table 9.13 .....	120,823,382	99,348,165	130,924,238	89,247,309	— 31,576,073	43,052,950
	781,524,250	437,580,413	352,111,522	866,993,141	85,468,891	194,053,505
Indian band funds—Shares and certificates	20,000			20,000		
Less: securities held in trust .....	20,000			20,000		
Indian compensation funds .....	112,600	13,237	564	125,273	12,673	15,039
Indian estate accounts .....	13,883,958	5,891,459	3,924,772	15,850,645	1,966,687	2,759,045
Less: securities held in trust .....	5,163	50		5,113	— 50	113
	13,878,795	5,891,509	3,924,772	15,845,532	1,966,737	2,758,932
Indian moneys suspense account .....	22,507,376	14,024,446	25,785,690	10,746,132	— 11,761,244	— 783,974
Indian special accounts .....	588,561	343,419	269,413	662,567	74,006	246,136
1924 Ontario lands agreement .....		4,379,549		4,379,549	4,379,549	
	818,611,582	462,237,559	382,096,432	898,752,709	80,141,127	196,289,638
Justice—						
Federal Court special account .....	8,799,789	3,950,713	6,862,282	5,888,220	— 2,911,569	4,897,466
Labour—						
Fair wages suspense account .....	70,495	212,329	241,411	41,413	— 29,082	24,234
Labour Standards suspense account .....	79,087	65,725	38,284	106,528	27,441	— 187,387
	149,582	278,054	279,695	147,941	— 1,641	— 163,153
National Defence—						
Estates—Armed services .....	364,839	3,234,118	3,204,245	394,712	29,873	178,184
Herbert Lott naval trust fund .....	946		159	787	— 159	— 26
	365,785	3,234,118	3,204,404	395,499	29,714	178,158
National Health and Welfare—						
Canadian Sports Pool Corporation—						
Other outstanding liabilities .....		5,012,553	4,744,891	267,662	267,662	
Unclaimed prizes .....		6,000	6,000			
Inuvik General Hospital .....	2,773			2,773		
Sioux Lookout Zone Hospital .....	3,758			3,758		1,376
Medical Research Council—						
Dyskinesia and torticollis research .....	79,079	6,933	3,686	82,326	3,247	— 524
Farquharson scholarships .....		20,000		20,000	20,000	
	85,610	5,045,486	4,754,577	376,519	290,909	852

TABLE 9.11

DEPOSIT AND TRUST ACCOUNTS—*Concluded*

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease (—)	
	\$	\$	\$	\$	1986	1985
Science and Technology—						
Natural Sciences and Engineering						
Research Council—Donation trust fund..	21,050	10,000		31,050	10,000	20,000
Trust fund .....	97,006	491,166	479,411	108,761	11,755	— 121,029
	118,056	501,166	479,411	139,811	21,755	— 101,029
Solicitor General—						
Correctional Service—						
Inmates' trust fund .....	5,348,840	14,908,440	14,992,464	5,264,816	— 84,024	228,710
Royal Canadian Mounted Police—						
Benefit fund .....	1,798,024	178,765	41,607	1,935,182	137,158	156,284
	7,146,864	15,087,205	15,034,071	7,199,998	53,134	384,994
Supply and Services—						
Petro-Canada Enterprises Inc.—Unclaimed						
shares .....	5,882,175		1,325,024	4,557,151	— 1,325,024	— 80,734
Transport—						
Canadian National (West Indies) Steam-						
ships Ltd .....	95,000			95,000		
Unclaimed moneys due to Canadian						
seamen .....	3,373			3,373		
	98,373			98,373		
Treasury Board—						
National Lottery account .....	16,704,130		16,704,130		— 16,704,130	16,586,879
Veterans Affairs—						
Administered trust accounts .....	43,609,460	12,068,080	14,018,969	41,658,571	— 1,950,889	2,572,400
Less: securities held in trust .....	40,000	10,000		30,000	— 10,000	
	43,569,460	12,078,080	14,018,969	41,628,571	— 1,940,889	2,572,400
Army benevolent fund .....	1,131,809	507,079	578,570	1,060,318	— 71,491	— 149,442
Canadian Forces personnel assistance fund	4,169	367		4,536	367	— 64,256
Estates fund .....	793,773	1,394,446	576,321	1,611,898	818,125	54,375
Ste-Anne's Hospital .....	1,111,365	1,090,325	777,328	1,424,362	312,997	450,263
Soldier Settlement and Veterans' Land						
Act—						
Veterans' Land Act trust account general	627,981	5,736,653	5,582,441	782,193	154,212	— 85,156
Veterans administration and welfare trust						
fund .....	720,714	1,448,662	1,279,393	889,983	169,269	67,175
Less: securities held in trust .....	302,110	80,323	120,852	342,639	40,529	29,466
	418,604	1,528,985	1,400,245	547,344	128,740	37,709
Veterans care trust accounts .....	9,572,357	11,302,490	9,926,251	10,948,596	1,376,239	321,120
Less: securities held in trust .....	5,105	1,505	3,600	— 1,505	— 1,505	— 35
	9,567,252	11,303,995	9,926,251	10,944,996	1,377,744	321,155
	57,224,413	33,639,930	32,860,125	58,004,218	779,805	3,137,048
						— 72,950
Account without current transactions .....						
Total trust accounts .....	936,052,348	528,476,839	468,559,196	995,969,991	59,917,643	221,984,708
Total deposit and trust accounts .....	1,494,663,608	15,143,927,133	14,722,681,586	1,915,909,155	421,245,547	265,164,463

**Canadian Dairy Commission account**

The Canadian Dairy Commission is a Crown corporation listed in Part I of Schedule C of the Financial Administration Act, and uses the Consolidated Revenue Fund for banking purposes. This account was established to record the Government's liability to the Commission.

**Canada Post Corporation account**

The Canada Post Corporation is a Crown corporation listed in Part I of Schedule C of the Financial Administration Act, and uses the Consolidated Revenue Fund for banking purposes. This account was established to record the Government's liability to the Corporation.

**Security deposits—Bankruptcy Act**

This account represents liabilities to authorized trustees under the Bankruptcy Act, for securities held in trust. The account is credited with securities deposited by trustees, and is charged with securities returned to them.

**Immigration guarantee fund**

This account records amounts collected and held pending final disposition, either by refund to the original depositor, or forfeiture to the Crown.

**Guarantee deposits—Oil and gas**

This account records cash deposited as guarantees for oil, gas and mining rights. Interest is not paid on cash deposits.

Also recorded in this account are securities deposited as guarantees for oil, gas and mineral rights.

**Guarantee deposits—Environment**

This account records amounts deposited to ensure compliance with terms and conditions of contracts.

**Fairs and missions**

This account records deposits which may be refunded, in part or in total, in accordance with contractual agreements

concerning the participation of Canadian sector enterprises at international trade fairs.

#### **Canada Development Investment Corporation**

This account was established pursuant to Section 136(1) of the Financial Administration Act. This special purpose money is to be used to satisfy demands for payment by The Boeing Company pursuant to the acquisition agreement and costs incurred by the Canada Development Investment Corporation in connection with the sale of the shares of The de Havilland Aircraft of Canada, Limited.

#### **Crown corporations' surplus moneys**

Crown corporations are authorized to deposit in the Consolidated Revenue Fund, with the approval of the appropriate Minister and the Minister of Finance, that portion of their cash which is temporarily in excess of their current requirements. Such deposits are to earn interest at rates fixed by Order in Council PC 1967-914 dated May 11, 1967.

#### **Guarantee deposits—Fisheries and Oceans**

This account was created to record amounts deposited to ensure compliance with terms and conditions of the Coastal Fisheries Protection Act.

#### **Guarantee deposits—Indian Affairs and Northern Development**

In this account are recorded cash and securities deposited as guarantees under the Arctic Water Pollution Prevention Act, and guarantees for oil, mineral and timber rights and licences. Interest is not allowed on cash deposits.

#### **Guarantee deposits—Reserve resources**

This account records cash and bond security deposits with respect to Indian reserve licences and contracts for the development of resources, pursuant to the provisions of the Indian Act. During the year, interest was credited to the account and charged to interest on public debt.

#### **Guarantee deposits—Rotating herds**

This account records guarantee deposits given by Indians who sign herd agreements under the rotating herd program. During the year, interest was credited to the account and charged to interest on public debt.

#### **Indian contributions to the subsidy housing program**

This account records amounts deposited by Indians, to ensure compliance with terms and conditions of the subsidy housing program.

#### **Indian savings accounts**

Savings accounts are maintained for individual Indians. During the year, interest was credited to the accounts and charged to interest on public debt.

#### **Guarantee deposits—Customs and Excise**

Cash and securities are collected to guarantee payment of customs duties and excise taxes on imported goods, and sales and excise taxes payable by licensees.

During the year, receipts and other credits consisted of bonds, \$3,707,000; and, cash, \$38,980. Payments and other charges consisted of bonds, \$2,239,600; and, cash, \$56,899.

#### **Temporary deposits received from importers**

This account records temporary security deposits received from importers to ensure compliance with various departmental (Customs and Excise) regulations regarding temporary entry of goods.

#### **Candidates' election deposits**

This account records candidates' election deposits, received in respect of general elections and by-elections, less amounts refunded to candidates, or transferred to non-tax revenue, pursuant to the provisions of the Canada Elections Act. During the year, \$157,400 was transferred to non-tax revenue.

#### **Harbourfront capital account**

Funds are received from and held for Harbourfront Corporation regarding moneys derived from the capitalized leasing, sale or resale of lands or development rights.

#### **Canada Development Corporation**

This account records moneys received from the instalment sales of common shares of Canada Development Corporation in accordance with the Canada Development Corporation Reorganization Act.

#### **Fairs, shows and seminars**

In this account are recorded moneys deposited by companies to cover various expenses incurred at fairs, shows and seminars. Moneys are disbursed on behalf of depositors.

#### **Contractors' security deposits**

This account records contractors' securities that are required for the satisfactory performance of work.

#### **Royal Canadian Mint account**

The Royal Canadian Mint is a Crown corporation listed in Part I of Schedule C of the Financial Administration Act, and uses the Consolidated Revenue Fund for banking purposes. This account was established to record the Government's liability to the Mint.

#### **SNC Defence Products Inc**

This account records a deposit received in accordance with an agreement between the Government and SNC Defence Products Inc for the purchase of Canadian Arsenals Limited. On May 9, 1986, the sale transaction was completed.

#### **Instalments (payroll deductions) made by employees in the purchase of Canada savings bonds**

These accounts were established to record instalment purchases of Canada bonds by employees of the Government of Canada, certain Government agencies, defence services personnel and Royal Canadian Mounted Police personnel, by deductions from pay and allowances where applicable. The debit balance in the Royal Canadian Mounted Police account results from an accumulation of overpayments to employees who have requested cancellation of their Canada savings bond applications during the year.



**Trust account—National Museums of Canada**

This account is credited with moneys received by the Corporation, by way of gift, bequest or otherwise, interest on securities, rent or sales of any real property acquired by the Corporation by way of gift, bequest or otherwise, and an amount representing interest on the balance from time to time to the credit of the account. The account is to be charged with such amounts as are authorized by the Board of Trustees of the Corporation to be expended for the purpose for which such money or property were given, bequeathed or otherwise made available to the Corporation. Securities in connection with this account amount to \$2,000 consisting of two Canada savings bonds bequeathed by the late J Dazell McKee and the late Hugh de T Glazebrook. Interest on these securities in the amount of \$75 was credited to the account during the year and charged to interest on public debt.

**Special operating account—National Library**

This account records moneys received for the purpose of the National Library, by way of donation, bequest or otherwise. Amounts required for the purposes of the National Library Act may be paid out of this account, or out of money appropriated by Parliament for such purposes.

**Mackenzie King trust account**

The late The Right Hon W L Mackenzie King bequeathed Laurier House, Ottawa, and the sum of \$225,000, to the Government of Canada. The amount of \$225,000 was credited to the account. Interest computed, in accordance with the terms of the Laurier House Act, is credited to the account at the end of each year, and is charged to interest on public debt. The interest is to be used to assist in the maintenance of the Laurier House, which is to be preserved as a place of historic interest, and also to provide accommodation for study and research. Expenditures are to be made by the Dominion Archivist, subject to the approval of the Governor in Council.

During the year, interest of \$24,503 was credited hereto. In accordance with the Act, the Dominion Archivist is authorized to expend an annual sum not to exceed 70% of the interest earned in the previous year for the maintenance and upkeep of the buildings on the Laurier House property, as well as an annual sum not to exceed 30% of the interest earned for the maintenance of the Laurier House as a museum and study centre, and for the provision of sundry purchases therefrom, and the unspent balance of the interest earned be credited at the end of the year to non-tax revenue.

**Shares in trust—Bankruptcy Act**

This account represents the value of share certificates originally held by a bankrupt stockbroker, on behalf of clients who have not been located.

**Share proceeds in trust—Bankruptcy Act**

This account represents dividends paid on stocks originally held by a bankrupt stockbroker but subsequently sold to clients. As the stocks were not registered in the clients' names, the dividends must be paid to the last registered owner, in this case, the stockbroker. The dividends are now forwarded to the Superintendent of Bankruptcy for safekeeping.

**Unclaimed dividends and undistributed assets—Bankruptcy Act**

This account represents amounts credited to the Receiver General in accordance with provisions of Section 125 of the Bankruptcy Act, pending distribution to creditors.

**Unclaimed dividends and undistributed assets—Canada Business Corporations Act**

This account represents liabilities to creditors and shareholders who have not been located. The account is charged when funds are paid to them.

**Unclaimed dividends and undistributed assets—Winding-up Act**

This account records amounts credited to the Receiver General, in accordance with provisions of the relevant Act, pending distribution.

**Trust fund—National Battlefields Commission**

This account was established at the creation of the National Battlefields Commission for the purpose of acquiring various properties for the development of the park. The moneys are received by way of private contributions, contributions from municipal corporations, provincial governments and others, and deposited for the purposes of the Commission, as prescribed for in its Act of incorporation. Following the land acquisitions of the Commission, an amount of money remained in the account and increased over a period of years as a result of interest earned, while the Commission was listed in Schedule C of the Financial Administration Act, prior to September 1, 1984.

**Canada Foundation account**

This account records moneys received in connection with the Civilian Relief Agreement of 1950, and the Cultural Agreement of 1954, between Canada and Italy, and disbursements for the purposes of the said agreements.

The account is maintained in Italian lira in the Banco di Roma, Italy, and all transactions recorded in foreign currencies during the year are converted at the rate of exchange prevailing at the close of the year (1985-86, 1 Lira/\$0.000875 Cdn; 1984-85, 1 Lira/\$0.0006968 Cdn).

During the year, income derived from the operation of the account amounted to Lira 38,766,257—\$33,920 Cdn, and disbursements for cultural activities and administrative expenses were Lira 63,693,700—\$55,968 Cdn. Adjustment of the book value carried forward from the previous year resulted in valuation increases of \$12,332 to securities held in trust, and \$53,314 to cash on deposit. The closing balance consists of securities at cost and cash on deposit.

**International agencies—Travel account**

This account records funds made available by international agencies, to provide for payment of transportation of fellows and scholars who travel in Canada, under the sponsorship of such agencies.

**Common school funds—Ontario and Quebec**

The funds represent the proceeds from the sale of lands set apart for the support and maintenance of common schools in Upper and Lower Canada, now Ontario and Quebec. Interest

of \$133,888, apportioned on the basis of population, is paid semi-annually to these provinces, at the rate of 5% per annum, and is charged to interest on public debt.

### Custodian administration account

This account was established to record assets transferred from the Custodian of Enemy Property. This special purpose money was used to satisfy claims against, or expenses of, the Custodian.

During the year, the account was closed under the authority of Section 5(1)(c) of the Financial Administration Act in conjunction with the Trading with the Enemy (Transitional Powers) Act.

### Foreign claims fund

This account records: (a) such part of the money received from the Custodian of Enemy Property, proceeds of the sale of property and the earnings of property, and, (b) all amounts received from governments of other countries pursuant to agreements entered into after April 1, 1966 relating to the settlement of Canadian claims, and also records payment of claims submitted, including payment of the expenses incurred in investigating and reporting on such claims.

Interest at a rate equal to 90% of the simple arithmetic mean of accepted weekly three-month Treasury bill tender rates for the month immediately preceding the month in respect of which interest may be allowed, is credited to the account and charged to interest on public debt.

### Halifax 1917 explosion pension account

This account was established to provide for the continuation of pensions, grants and allowances following the dissolution of the Halifax Relief Commission.

### War claims fund—World War II

This account records moneys received from the Custodian of Enemy Property or from other sources, and payments: (a) to eligible claimants for compensation in respect of World War II; (b) of a supplementary award amounting to 50% of the original award (PC 1958-1467, October 23, 1958); and, (c) of expenses incurred in investigating and reporting on claims.

A War Claims Commission was established to enquire into and report on claims made by Canadians arising out of World War II for which compensation may be paid from this or any other fund established for the purpose. The expenses of the Commission are chargeable hereto. During the year, interest was credited to the account and charged to interest on public debt.

### Great Lakes Fishery Commission—Lamprey research and control

This account was created to record funds received from the Great Lakes Fishery Commission, covering control and research work in respect to lampreys in the Great Lakes, carried out on behalf of the Commission, on a contract basis.

### Indian agencies revenue trust bank accounts

This account records moneys held for Indians in authorized banks across Canada. These moneys include such items as

deceased estates, deposits and payments on leases held for individual Indians, and those to be split between individual Indians and Indian bands.

### Indian band funds

The Indian band funds represent moneys belonging to Indian bands throughout Canada. During the year, interest was credited to the account and charged to interest on public debt.

TABLE 9.12

### INDIAN BAND FUNDS—CAPITAL ACCOUNTS

	1985-86	1984-85
	\$	\$
Opening balance.....	660,700,868	509,697,024
RECEIPTS AND OTHER CREDITS—		
Oil royalties.....	230,017,633	246,091,764
Gas royalties.....	86,333,919	94,748,905
British Columbia agreement.....	985,815	1,539,059
Land and other claim settlements.....	13,019,149	1,113,517
Sundries.....	7,875,732	9,575,515
	338,232,248	353,068,760
	998,933,116	862,765,784
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribution.....	88,540,925	70,312,042
Transfers pursuant to Section 64 of the Indian Act.....	130,888,694	129,215,981
Sundries.....	1,757,665	2,536,893
	221,187,284	202,064,916
Closing balance.....	777,745,832	660,700,868

TABLE 9.13

### INDIAN BAND FUNDS—REVENUE ACCOUNTS

	1985-86	1984-85
	\$	\$
Opening balance.....	120,823,382	77,773,720
RECEIPTS AND OTHER CREDITS—		
Government interest.....	83,843,113	84,074,879
Land and other claim settlements.....	993,586	12,575,346
Sundries.....	14,511,466	12,163,653
	99,348,165	108,813,878
	220,171,547	186,587,598
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribution.....	20,828,161	9,701,100
Transfers pursuant to Section 69 of the Indian Act.....	102,550,816	54,444,812
Sundries.....	7,545,261	1,618,304
	130,924,238	65,764,216
Closing balance.....	89,247,309	120,823,382

### Indian band funds—Shares and certificates

This account records the historical value of Transalta Utilities Ltd shares of stock as compensation for a power line right-of-way on the Blood Indian reserve.



**Indian compensation funds**

Moneys received from the sale of Indian lands and easement compensation, where the title has not been cleared nor the land survey completed, are recorded in this account pending completion of documentation.

During the year, interest was credited to the account and charged to interest on public debt.

**Indian estate accounts**

Accounts were established to record the estates of deceased Indians, minor Indian children who have guardians, or mentally incompetent Indians. During the year, interest was credited to the accounts and charged to interest on public debt.

**Indian moneys suspense account**

In this account are recorded moneys held for individuals and bands, received from rentals and leases of Indian lands, such as agricultural leases, easements, oil and gas leases and permits, etc, pending proper documentation.

During the year, interest was credited to the account and charged to interest on public debt.

**Indian special accounts**

Indian special accounts represent a number of non-interest bearing accounts which are maintained for specific purposes and include the following:

- (a) *Absent or missing heirs*—Assets in an estate to which a missing heir might be entitled are held in this account for a period of seven years, after which time, if the heirs are not located, the assets are distributed to other persons according to entitlement.
- (b) *Abitibi fur preserve*—This account records moneys received from the sale of pelts trapped on reserves in the Abitibi District in Quebec, to defer charges for tallymen's wages, freight costs, etc.
- (c) *Abitibi fishery*—This account records charges for the operation of the Abitibi sturgeon fish catching project.
- (d) *Indian off-reserve housing*—This account records personal contributions held in trust until paid to the vendor, the builder or legal representative.

**1924 Ontario lands agreement**

This account records the Province of Ontario's share of the receipts from mineral activity on Indian reserves in accordance with the terms of the 1924 Ontario lands agreement. Payment of these funds to Indian bands is awaiting the passage of federal and provincial legislation to enact a new 1986 Indian Lands Agreement for Ontario.

**Federal Court special account**

This account records moneys paid into the Federal Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held in trust pending payment of such moneys, in accordance with a judgment of the Court.

During the year, interest was credited to the account and charged to interest on public debt.

**Fair wages suspense account**

This account is operated under the authority of the Fair Wages and Hours of Labour Act, and related regulations. Where an investigation in respect of a contract on Government works results in an award of wages, the amount received from the contractor is credited to this account, and is subsequently distributed to employees.

The account also records amounts received from departments and agencies, representing wages in respect of contracts, withheld from final payment to contractors.

**Labour Standards suspense account**

This account is operated under the authority of the Canada Labour Code, Part III, Section 65, and the Canada Labour Standards, Regulation 23.

The account records:

- (a) funds received from employers as a result of assessments made by inspectors regarding underpayments of minimum wages, overtime, vacation pay, holiday pay, termination, severance or bereavement pay. The assessments are payable either directly to the employee, or to the Minister of Labour who is required to transmit the payment to the employee;
- (b) payments received from employers who are in arrears in paying their employees. Such amounts are repaid to employees; and,
- (c) wages received by the Minister of Labour from employers who cannot locate employees. Efforts are then made to locate employees.

**Estates—Armed services**

To this account are credited the service estates of deceased members of the Canadian Forces. Net assets of estates are distributed to legal heirs under the administration of the Judge Advocate General, in his capacity as Director of Estates.

**Herbert Lott naval trust fund**

Credits to this account represent the Canadian naval portion of the Herbert Lott naval trust fund, which is administered by the British Admiralty. These funds are allocated to active or reserve force units which show marked efficiency in fighting practices, or contribute in signal degree to the improvement of the fighting appliances of naval or maritime forces.

**Canadian Sports Pool Corporation—Other outstanding liabilities**

This account records moneys received at the dissolution of the Canadian Sports Pool Corporation which are used to pay any liabilities of the Corporation.

**Canadian Sports Pool Corporation—Unclaimed prizes**

This account recorded moneys received at the dissolution of the Canadian Sports Pool Corporation which were used to provide payments to sports pool winners who submitted tickets between June 20, 1985 and September 30, 1985. The balance remaining in the account at October 1, 1985 was transferred to the Canadian Sports Pool Corporation—Other outstanding liabilities account.

### **Inuvik General Hospital**

This account was established to record transactions relating to a donation by the Lions Club for the purchase of items for Ward 300 at the Inuvik General Hospital.

### **Sioux Lookout Zone Hospital**

This account was established to record transactions relating to a donation made by the Hospital for Sick Children Foundation, to be used to finance a paediatric play program and volunteer service at Sioux Lookout Zone Hospital.

### **Dyskinesia and torticollis research**

This account records a bequest of \$75,000 made by an anonymous donor, to establish a fund for research in the fields of dyskinesia and torticollis.

During the year, interest was credited to the account and charged to interest on public debt.

### **Farquharson scholarships**

This fund was established to record an award received from the St Boniface General Hospital Research Foundation. The fund will provide research scholarships to undergraduate medical students and graduate high school students.

### **Donation trust fund**

This account records moneys, securities or other property received by way of gift, bequest or otherwise as approved by the Natural Sciences and Engineering Research Council. The account is charged with payments and with the disposal of such moneys, securities or other property, subject to the terms upon which such moneys are given, bequeathed or otherwise made available to the Council, and subject to the approval of the Council.

### **Trust fund—Natural Sciences and Engineering Research Council**

This account is maintained to record funds received from other governments and organizations, to cover expenditures made on their behalf, and to record the liability to other organizations.

### **Inmates' trust fund**

This account is credited with moneys received from inmates at the time of incarceration, net earnings of inmates from employment inside institutions, moneys received for inmates while in custody, moneys received from sales of hobbycraft, money earned through work while on day parole, and interest. Payments to assist in the reformation and rehabilitation of inmates are charged to this account.

### **Benefit fund**

Moneys received by personnel of the Royal Canadian Mounted Police, in connection with the performance of duties, over and above their pay and allowances, are deposited in the fund, and benefits are payable therefrom. During the year, interest was credited to the account and charged to interest on public debt. In addition to the balance in the fund of \$1,935,182, there was an amount of \$74,537 outstanding in loans issued from the fund to members.

### **Petro-Canada Enterprises Inc.—Unclaimed shares**

This account records the liability to shareholders who have not presented their shares for payment. The closing balance represents the dollars value of 37,932 shares of Petro-Canada Enterprises Inc at \$120.14 per share.

### **Canadian National (West Indies) Steamships Ltd**

This account records a deposit by the Canadian National (West Indies) Steamships Ltd, covering a transfer of funds to be held pending the wind-up of the Corporation.

During the year, the Corporation was authorized to be dissolved pursuant to the Crown Corporations Dissolution Authorization Act.

### **Unclaimed moneys due to Canadian seamen**

Unpaid wages of deceased members of ships' crews, as well as any amount of cash on their person at time of death, are credited to this account pending direction as to payees.

### **National Lottery account**

This account recorded the net revenues of Loto Canada Inc.

During the year, the Corporation was legally dissolved pursuant to the Sports Pool and Loto Canada Winding-Up Act. Treasury Board Vote 21c, Appropriation Act No 4, 1985-86 approved the following disbursements:

- (a) \$1 for the redemption of the shares of Loto Canada Inc;
- (b) \$2,073,360 to the provinces as determined by the Inter-provincial Lottery Corporation; and,
- (c) \$13,684,174 to the Régie des installations olympiques to assist in the financing of the deficit of the 1976 Olympic Games.

### **Administered trust accounts**

These accounts are under the jurisdiction of the Canadian Pension Commission and Veterans Services. Moneys held in these accounts include: (a) pensions placed under the administration of the Canadian Pension Commission; (b) war veterans and civilian war allowances and assistance fund payments placed under the administration of the Department of Veterans Affairs; and, (c) benefits from other sources such as Old Age Security, Guaranteed Income Supplement or Canada Pension Plan, placed under administration with the consent of the client. These persons have demonstrated the inability to manage their own affairs.

Payments are made out of the accounts, to provide food, shelter, clothing, comforts and other necessities.

### **Army benevolent fund**

This account is credited with certain canteen profits and other funds and, semi-annually, with interest at the rate of 12.62% per annum from June 29, 1985 to June 28, 1990, on the minimum monthly balances to the credit of the fund.

Payments are made out of the fund to or for the benefit of veterans or their dependants or the widows, children or other dependants of deceased veterans.

During the year, interest was credited to the account and charged to interest on public debt.

### **Canadian Forces personnel assistance fund**

This fund was established to provide financial assistance to serving or former members of the Canadian Forces, who enlisted on or after February 1, 1968, and to their dependants, when warranted by distress or other qualifying circumstances.

During the year, interest was credited to the account and charged to interest on public debt.

### **Estates fund**

This account is credited with the proceeds from the estates of those veterans who died while receiving hospital treatment or institutional care. Individual accounts are maintained and payments are made to beneficiaries.

### **Ste-Anne's Hospital**

This account records moneys deposited for safekeeping by patients in the veterans' hospital in Ste-Anne de Bellevue, Quebec. Interest is calculated monthly on the minimum balance at rates published by the Minister of Finance, and is credited quarterly to the account.

### **Veterans' Land Act trust account general**

Receipts and other credits to this account consist mainly of initial and excess payments by veterans and civilian purchasers, as provided under the Act, which are held pending approval of sales. Other items included are veterans' sales proceeds held pending redbursement on their present or second establishment, insurance fire loss proceeds to pay for restoration of fire damage, and moneys sent in by veterans and civilian purchasers, to be held for payment of taxes and insurance, and other related items.

### **Veterans administration and welfare trust fund**

Moneys held in this account include: (a) donations, legacies, gifts, bequests, etc., received, to be disbursed for the benefit of veterans or their dependants under certain conditions, and for the benefit of patients in institutions; and, (b) donations, legacies, gifts, bequests, etc., received by the Canadian Pension Commission, to be disbursed for the use of pensioners or dependants in distressed circumstances.

### **Veterans care trust accounts**

In accordance with the Veterans Treatment Regulations and Veterans Care Regulations, clients receiving adult residential

care service or nursing home intermediate care service are charged up to a maximum of \$240 per month for board and lodgings. If the Minister of Veterans Affairs so directs, the veteran client assigns or pays any or all of his income and resources, to be administered in the manner prescribed. Moneys held in these individual accounts may include: (a) war service gratuities held for mental, tubercular and other long-term treatment cases; (b) pension paid by the Canadian Pension Commission; (c) war veterans and civilian war allowances; and, (d) income from other sources such as Old Age Security, Guaranteed Income Supplement and retirement pensions. The moneys are used to pay the charges for board and lodgings, and to provide clothing, comforts and other necessities.

## **Provincial Tax Collection Agreements Account**

This account records income taxes collected by the Government of Canada on behalf of provinces and territories participating in the joint-collection provision of the Federal-Provincial Fiscal Arrangements Act, and related payments made to them.

Under the Federal-Provincial Fiscal Arrangements Act, the Government of Canada is empowered to enter into agreements with provincial and territorial governments, to collect income taxes on their behalf, and to make payments to them with respect to such taxes.

The Government of Canada entered into agreements with provinces and territories (Quebec excepted), to collect individual income tax, and with provinces and territories (Alberta, Ontario and Quebec excepted), to collect corporation income tax, and, to pay in equal monthly instalments to such provinces and territories, the estimated revenue to be produced by the respective provincial and territorial taxes.

At the beginning of each year, the Minister of Finance estimates the amount of the payments, for the taxation year ending in that year, to provinces and territories that have entered into agreements. These estimates are adjusted to actual amounts at a later date. Adjustments are to be made not later than March 31 of the year following that in which the taxation year ends.

## Other Specified Purpose Accounts

There are a number of other specified purpose accounts operated by the Government, such as insurance, death benefit and pension accounts.

Table 9.14 presents a summary of the balances and transactions for all other specified purpose accounts.

TABLE 9.14

### OTHER SPECIFIED PURPOSE ACCOUNTS

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease ( - )	
	\$	\$	\$	\$	1986	1985
Insurance and death benefit accounts—						
Agriculture—						
Prairie farm emergency fund .....	9,066,972		9,066,972		- 9,066,972	
Western grain stabilization account <sup>(1)</sup> .....						
Crop reinsurance fund <sup>(1)</sup> .....	9,066,972		9,066,972		- 9,066,972	
Energy, Mines and Resources—						
Atomic Energy Control Board—						
Nuclear liability reinsurance account .....	528,342	1,500		529,842	1,500	1,660
Finance—						
Investors' indemnity fund .....	24,727			24,727		- 3,168
Insurance—						
Civil service insurance fund .....	15,793,183	334,290	720,611	15,406,862	- 386,321	- 369,809
Pioneer Trust Payment Continuation Act account .....		4,343,641	4,343,641			
	15,817,910	4,677,931	5,064,252	15,431,589	- 386,321	- 372,977
Fisheries and Oceans—						
Fishing vessel insurance plan .....	4,478,433	10,053,510	8,063,957	6,467,986	1,989,553	- 1,354,496
Indian Affairs and Northern Development—						
Land assurance fund .....	733,186	56,258	35,016	754,428	21,242	70,880
National Defence—						
Regular forces death benefit account, Table 9.15 .....	58,736,076	15,816,852	8,499,150	66,053,778	7,317,702	6,018,059
National Health and Welfare—						
Health insurance supplementary account .....	28,387			28,387		- 15,300
Transport—						
Maritime pollution claims fund .....	103,281,206	13,850,333	2,873,346	114,258,193	10,976,987	9,377,018
Treasury Board—						
Public Service death benefit account, Table 9.16 ..	261,173,828	87,483,712	33,195,512	315,462,028	54,288,200	48,256,261
Veterans Affairs—						
Returned soldiers' insurance fund .....	1,449,629	44,018	257,653	1,235,994	- 213,635	- 225,001
Veterans' insurance fund .....	24,542,303	979,521	1,937,035	23,584,789	- 957,514	- 528,136
	25,991,932	1,023,539	2,194,688	24,820,783	- 1,171,149	- 753,137
Total insurance and death benefit accounts .....	479,836,272	132,963,635	68,992,893	543,807,014	63,970,742	61,227,968
Pension accounts—						
Employment and Immigration—						
Annuities agents' pension account .....	47,801	10,712	17,511	41,002	- 6,799	- 6,924
Parliament—						
Members of Parliament retiring allowances account, Table 9.17 .....	22,350,690	6,107,887	4,279,570	24,179,007	1,828,317	1,762,474
Solicitor General—						
Royal Canadian Mounted Police—Dependants' pension fund .....	13,764,359	1,528,039	623,335	14,669,063	904,704	970,088
Treasury Board—						
Locally-engaged contributory pension account .....	1,342,960	5,368,498	117,875	6,593,583	5,250,623	262,551
Less: unamortized portion of actuarial deficiency .....		2,476,684	7,423,284	4,946,600	4,946,600	
	1,342,960	7,845,182	7,541,159	1,646,983	304,023	262,551
Retirement fund .....	5,303			5,303		
	1,348,263	7,845,182	7,541,159	1,652,286	304,023	262,551
Total pension accounts .....	37,511,113	15,491,820	12,461,575	40,541,358	3,030,245	2,988,189



TABLE 9.14

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease ( - )	
	\$	\$	\$	\$	1986	1985
Other accounts—						
Agriculture—						
Fees paid in advance—Importation of foreign cattle .....	192,734	238,199	154,499	276,434	83,700	8,011
Importation of Dutch bulbs .....	912	4,500	4,867	545	- 367	790
Miscellaneous projects' deposits .....	99,137	5,661	101,985	2,813	-96,324	99,137
	292,783	248,360	261,351	279,792	- 12,991	107,938
Consumer and Corporate Affairs—						
Deposit account .....	149,214	692,318	699,061	142,471	- 6,743	16,613
Employment and Immigration—						
Canada works program .....		243,506	235,784	7,722	7,722	
Canadian jobs strategy program .....		3,070,926	1,275,077	1,795,849	1,795,849	
Employment expansion and development pro- gram .....	44,760	6,438	51,198		- 44,760	- 49,496
Summer employment—Experience development program .....		2,037,709	1,991,494	46,215	46,215	
Territorial subsidiary agreement on human resource development .....		105,213	139,181	- 33,968	- 33,968	
Work orientation workshops program .....	44,760	5,475,792	3,703,537	1,817,015	1,772,255	- 49,496
Energy, Mines and Resources—						
Market development incentive payments—Alber- ta .....		192,790,403	164,550,832	28,239,571	28,239,571	
Miscellaneous projects' deposits .....	17,336	1,355,757	1,363,568	9,525	- 7,811	- 22,971
Oil export charges revenue sharing account .....	17,336	297,718		297,718	297,718	
		194,443,878	165,914,400	28,546,814	28,529,478	- 22,971
Environment—						
Miscellaneous projects' deposits .....	357,285	824,818	763,766	418,337	61,052	- 262,991
External Affairs—						
Cost recoverable technical assistance program .....	677,494	1,786,364	1,568,385	895,473	217,979	- 920,155
Canadian International Development Agency— Guarantee deposits .....	34,600			34,600		- 105,618
International Joint Commission— In-Situ contaminants workshop .....	1,041		1,041		- 1,041	1,041
	713,135	1,786,364	1,569,426	930,073	216,938	- 1,024,732
Finance—						
Office of the Auditor General— Sino-Canadian audit management training .....	26,235	4,000	30,235		- 26,235	26,235
Fisheries and Oceans—						
Miscellaneous projects' deposits .....	47,050	230,871	166,481	111,440	64,390	- 308,666
Indian Affairs and Northern Development—						
Fines—Indian Act .....	658,719	108,466	341,669	425,516	- 233,203	- 312,805
Justice—						
Federal Court fees .....	5,000			5,000		
National Defence—						
Foreign governments—						
United Kingdom—						
British Army—Suffield, Alberta .....	8,414,473	27,556,398	26,186,499	9,784,372	1,369,899	5,381,515
Other activities .....	105,444	2,135,010	2,239,187	1,267	- 104,177	380,874
United States of America .....	2,311,304	2,274,394	3,498,398	1,087,300	- 1,224,004	2,258,289
Federal Republic of Germany—						
German Army—Shilo, Manitoba .....	3,933,429	11,105,867	10,635,025	4,404,271	470,842	904,200
Other activities .....	- 508,325	3,458,200	2,164,438	785,437	1,293,762	- 893,066
North Atlantic Treaty Organization (NATO)—						
Infrastructure projects .....	1,262,726	877,964	674,691	1,465,999	203,273	116,411
Other projects .....	100,824			100,824		
Non-government agencies .....	2,282,233	1,801,777	2,187,997	1,896,013	- 386,220	29,294
	17,902,108	49,209,610	47,586,235	19,525,483	1,623,375	8,177,517
National Health and Welfare—						
Computerized space programming methodology ..		17,400	16,393	1,007	1,007	
"Nobody's perfect"—Shared-cost project .....		81,735	80,454	1,281	- 747	
World Health Organization .....	114,711	63,655	53,206	125,160	10,449	- 1,388
	114,711	162,790	150,053	127,448	12,737	- 1,388
Public Works—						
Shared-cost projects .....	1,156,504	509,742	1,604,739	61,507	- 1,094,997	198,882
Science and Technology—						
National Research Council— Trust fund .....	24,999	82,454	43,866	63,587	38,588	1,950
Special fund .....	10,000,747	14,898,208	14,898,955	10,000,000	- 747	2,000,747
	10,025,746	14,980,662	14,942,821	10,063,587	37,841	2,002,697

TABLE 9.14

OTHER SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease ( - )	
	\$	\$	\$	\$	1986	1985
Secretary of State—						
Promotion of official languages .....	29,526	72,452	3,131	98,847	69,321	13,422
Social Sciences and Humanities Research Council—						
Queen's Fellowship Fund .....	311,814		41,829	269,985	- 41,829	- 17,376
Trust fund .....	25,000	14,225		39,225	14,225	25,000
	366,340	86,677	44,960	408,057	41,717	21,046
Supply and Services—						
Interest on bonds—Insurance companies .....	3,937	34,950,193	36,809,409	- 1,855,279	- 1,859,216	3,937
Military purchases excess funds deposit .....	267,545,331	4,047,519,333	3,908,527,718	406,536,946	138,991,615	127,142,131
Less: securities held in trust .....	267,545,331	3,908,527,718	4,047,519,333	406,536,946	138,991,615	127,142,131
		7,956,047,051	7,956,047,051			
Statistics Canada—						
Advance payments .....	754,374	16,812,064	16,607,291	959,147	204,773	132,553
	758,311	8,007,809,308	8,009,463,751	- 896,132	- 1,654,443	136,490
Provincial sales tax—						
Communications—						
National Library .....	2	4,610	4,387	225	223	- 1,113
Public Archives .....	722	10,388	9,920	1,190	468	- 445
	724	14,998	14,307	1,415	691	- 1,558
Energy, Mines and Resources .....		94,827	87,698	7,129	7,129	
Solicitor General—						
Correctional Service .....	- 361,577		61,591	- 423,168	- 61,591	- 112,878
Royal Canadian Mounted Police .....	- 126	69,389	69,478	- 215	- 89	- 54
	- 361,703	69,389	131,069	- 423,383	- 61,680	- 112,932
	- 360,979	179,214	233,074	- 414,839	- 53,860	- 114,490
Federal sales tax—						
Solicitor General—Correctional Service .....	- 528,375		92,412	- 620,787	- 92,412	- 165,040
Accounts without current transactions .....						- 899,121
Total other accounts .....	31,745,883	8,276,752,870	8,247,567,971	60,930,782	29,184,899	7,525,718
Total other specified purpose accounts .....	549,093,268	8,425,208,325	8,329,022,439	645,279,154	96,185,886	71,741,875

(1) This account was reclassified as budgetary in 1985-86. The transactions in this account are now reported as revenue and expenditure on the Statement of Revenue and Expenditure. This reclassification was applied retroactively and the previous year's deficit and accumulated deficit have been restated for consistency. Additional information is provided in Section 7 of this volume and in the notes to the audited financial statements (Section 2 of this volume).

**Prairie farm emergency fund**

The Prairie Farm Assistance Act provided for a levy of 1% to be deducted by all licensed purchasers of grain, the amount so deducted to be transferred to the Canadian Grain Commission for deposit to the credit of a special account known as the Prairie farm emergency fund. The levy was not collected in respect of grain grown by farmers who participate in approved crop insurance programs. Collection of the levy was discontinued, effective August 1972.

In accordance with the Act to repeal the Prairie Farm Assistance Act and to amend the Crop Insurance Act, the Prairie farm emergency fund was deleted from the accounts of Canada and the outstanding balance was transferred to non-tax revenue.

**Nuclear liability reinsurance account**

This account was established to record premiums under the Nuclear Liability Act, and to provide for payment of claims arising from accidents at an insured facility.

**Investors' indemnity fund**

Section 48 of the Financial Administration Act provides for this account, and for the crediting thereto of the sum of

\$25,000, such further amounts as are appropriated by Parliament for the purposes of this Section, and any recovery of losses referred to in Section 49 of the Act.

Section 49 states that the Minister may, in accordance with and subject to regulations, pay out of the account, any losses sustained by subscribers for Government securities, who have paid all or part of the purchase price but have not received the security or repayment of the amount so paid, and losses sustained by any person in the redemption of securities.

**Civil service insurance fund**

This fund was established by the Civil Service Insurance Act, to provide life insurance coverage for civil servants who bought policies before 1955-56. The purchase of policies was discontinued in 1954-55, pursuant to Section 51(2) of the Public Service Superannuation Act.

During the year, receipts and other credits consisted of premiums, \$22,099; and, an amount of \$312,191 (charged to budgetary expenditure) representing an adjustment to bring the balance in the fund into agreement with the actuarial valuation as at March 31, 1985. Payments and other charges consisted of death benefits, \$636,800; cash surrender value \$35,249; annuities, \$48,320; and, premium refunds, \$242.

Pioneer Trust Payment Continuation Act account

This account was established in accordance with the Pioneer Trust Payment Continuation Act to record funds received as the assets of the Pioneer Trust Company were liquidated and to record disbursements to provide for the continuation of payments under certain guaranteed income averaging certificates issued by the Company.

During the year, this account was closed.

Fishing vessel insurance plan

The fishing vessel insurance plan is administered in accordance with regulations of the Governor in Council, to insure fishermen against abnormal capital losses. The account is credited with premiums and recoveries, and with advances in accordance with the regulations, such advances not at any time to exceed \$150,000. The account is charged with refunds of premiums and payments in settlement of third party vessel collision damage claims against fishermen, where the collision involves a vessel insured under the fishing vessel insurance plan. Administration costs are paid from Fisheries and Oceans Vote 1.

Land assurance fund

This fund was created to indemnify title holders who suffer loss through misdescriptions in titles, and from other causes specified in the Land Titles Act. Fees are collected from the parties who register deeds with the Registrar of Land Titles in the Northwest Territories and the Yukon Territory. Interest is added to the fund annually, the present rate being 3% per annum. During the year, interest was credited to the account and charged to interest on public debt.

Regular forces death benefit account

This account was established by the Canadian Forces Superannuation Act, to provide life insurance to contributing members of the Armed Forces. Receipts and other credits consist of: (a) contributions by participants; (b) Government's contribution (1/6 of benefits paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the Canadian Forces Superannuation Act or the Defence Services Pension Continuation Act); (c) single premiums payable by the Government in respect of regular forces participants who become entitled to a basic benefit of \$500 without contribution; and, (d) interest.

Payments and other charges consist of: (a) benefits paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the Canadian Forces Superannuation Act or the Defence Services Pension Continuation Act, upon their retirement from the regular forces; (b) benefits paid in respect of elective regular forces participants, to whom pensions were not payable under the Canadian Forces Superannuation Act or the Defence Services Pension Continuation Act, upon their retirement from the regular forces; and, (c) the portion of benefit payable for which a single premium has been paid by the Government.

TABLE 9.15

REGULAR FORCES DEATH BENEFIT ACCOUNT

	1985-86	1984-85
	\$	\$
Opening balance .....	58,736,076	52,718,017
RECEIPTS AND OTHER CREDITS—		
Contributions by participants .....	7,251,750	6,891,748
Government's contribution .....	1,416,532	1,419,523
Single premiums payable by the Govern- ment in respect of regular forces partici- pants who become entitled to a basic benefit of \$500 without contribution .....	546,840	415,400
Interest .....	6,601,730	5,814,566
	15,816,852	14,541,237
	74,552,928	67,259,254
PAYMENTS AND OTHER CHARGES—		
Benefits paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regu- lar forces participants, to whom pensions were payable under the Canadian Forces Superannuation Act or the Defence Ser- vices Pension Continuation Act .....	8,499,150	8,523,178
Closing balance .....	66,053,778	58,736,076

Health insurance supplementary account

This account was established for payments in respect of persons who, through no fault of their own, have lost or been unable to obtain coverage for the insured health services under the Canada Health Act, and in accordance with Federal-Provincial Agreement on Eligibility and Portability. Contributions are made by all provinces to the account in proportion to population, and are matched by the federal Government.

Maritime pollution claims fund

This account was established to record levy tonnage payments for oil carried by ships in Canadian waters. The payment of the levy was revoked effective September 1, 1976.

Maritime pollution claims, the fee of the Fund Administrator, and related oil pollution control expenses, are to be financed out of the fund.

Public Service death benefit account

This account was established under the Public Service Superannuation Act, to provide life insurance to contributing members of the Public Service.

The account is credited with: (a) contributions by employees; (b) contributions by the Government and Public Service corporations; and, (c) interest. Payments and other charges represent: (a) benefits paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the Public Service Superannuation Act; and, (b) benefits of \$500 paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the Public Service Superannuation Act, and on whose behalf a single premium for \$500 death benefit coverage for life has been made.

TABLE 9.16

## PUBLIC SERVICE DEATH BENEFIT ACCOUNT

	1985-86	1984-85
	\$	\$
Opening balance.....	261,173,828	212,917,567
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Employees—		
Government and Public Service corporations .....	47,823,424	46,641,150
Government—		
One-sixth of benefit payments—General .....	5,230,694	5,159,414
Single premium for \$500 .....	2,068,548	1,679,393
Public Service corporations .....	2,101,093	2,100,431
Interest .....	30,259,953	24,142,423
	87,483,712	79,722,811
	348,657,540	292,640,378
PAYMENTS AND OTHER CHARGES—		
Benefit payments—		
General .....	31,792,440	30,145,362
Life coverage of \$500 .....	1,383,197	1,271,888
Other death benefit payments .....	19,875	49,300
	33,195,512	31,466,550
Closing balance.....	315,462,028	261,173,828

## Returned soldiers' insurance fund

This fund was established by the Returned Soldiers' Insurance Act, to provide life insurance to contributing veterans of World War I. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial liability adjustment as at March 31, 1985 of \$43,968 was credited to the account during the year and was charged to budgetary expenditure. The final date on which application for this insurance could have been received, was August 31, 1933.

## Veterans' insurance fund

This fund was established by the Veterans' Insurance Act, to provide life insurance to contributing veterans of World War II. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial liability adjustment as at March 31, 1985 of \$703,628 was credited to the account during the year and was charged to budgetary expenditure. The final date on which application for this insurance could have been received, was October 31, 1968.

## Annuities agents' pension account

This pension plan provides pension benefits to former eligible Government employees who were engaged in selling Government annuities to the public. During the year, interest was credited to the account and charged to interest on public debt.

## Members of Parliament retiring allowances account

This account was established by the Members of Parliament Retiring Allowances Act, to provide pension benefits to eligible Members of Parliament who contributed to the plan. "Member" means a member of the Senate or House of

Commons. Benefits are also available to widows and dependent children of members who served on or after April 9, 1963 and contributed under the Act.

Receipts and other credits consist of: (a) contributions reserved from current indemnities, based on the full amount paid; (b) contributions reserved from additional salaries, based on the percentage of contribution elected, up to 10% of the full amount of salary; (c) contributions for previous sessions, where members elect to pay arrears, and interest on arrears; (d) interest and mortality insurance on any unpaid balance, based on Canada Life Tables; (e) contributions by the Government, of an amount equal to contributions paid or which have become payable in the year; (f) interest credited quarterly; and, (g) the repayment of pensions after elections to transfer Members of Parliament retiring allowances to the Public Service Superannuation Account.

Payments and other charges consist of: (a) payments of annual allowances; (b) withdrawal allowances and related interest; (c) refunds of contributions which are in excess of the maximum required; and, (d) transfers of funds to the Public Service Superannuation Account.

TABLE 9.17

## MEMBERS OF PARLIAMENT RETIRING ALLOWANCES ACCOUNT

	1985-86	1984-85
	\$	\$
Opening balance.....	22,350,690	20,588,216
RECEIPTS AND OTHER CREDITS—		
Members' contributions—		
Current .....	1,870,525	1,635,174
Arrears of principal, interest and mortality insurance .....	234,924	390,709
Government contributions .....		
Current .....	1,870,007	1,610,411
Interest .....	2,132,431	2,312,087
Adjustment to 1983-84 annual allowances and Government contributions .....		362,307
	6,107,887	6,310,688
	28,458,577	26,898,904
PAYMENTS AND OTHER CHARGES—		
Annual allowances .....	4,183,402	3,239,536
Withdrawal allowances .....	87,334	1,202,936
Interest on withdrawals .....	6,998	58,773
Refund of elective service contributions.....	1,836	46,969
	4,279,570	4,548,214
Closing balance.....	24,179,007	22,350,690

## Dependants' pension fund

This fund which pertains to Part IV of the Royal Canadian Mounted Police Pension Continuation Act, provides pension benefits to widows and other dependants of contributing members of the Royal Canadian Mounted Police. It is maintained by 5% contributions from the pay of members of the Force, other than commissioned officers.

## Locally-engaged contributory pension account

This account which pertains to Part II of the Locally-Engaged Pension Regulations, provides pension benefits to locally employed Government employees who contributed to



the plan. The account is credited with contributions from locally-engaged employees, and charged with the subsequent payment of benefits. During 1985-86, the account was adjusted as a result of an actuarial valuation, to record the actuarial accrued liability for the US plan. This actuarial deficiency will be amortized in future years as payments are made to the underwriter of the plan.

#### **Retirement fund**

This fund provides pension benefits to certain eligible Government employees who are not covered by the Public Service Superannuation Account and who contributed to the fund.

Contributions are made to the fund in the form of monthly deductions from the salaries of certain prevailing rate or seasonal and certain other employees. Other credits are interest at the rate of 4% per annum on the balance to the credit of each contributor, the off-setting charge being to interest on public debt. Payments and other charges represent payment of the amounts to the employees' credit upon resignation or death, or, if they become contributors to the Public Service Superannuation Account, transfers to that account.

#### **Fees paid in advance—Importation of foreign cattle**

Deposits made in connection with the importation of foreign cattle, pregnancy tests on cattle, and applications for the registration of feeds, fertilizers and pesticides, are credited to this account pending assessment of actual costs on completion of the particular services required.

On final accountability and at such time as the services are completed, the deposits are either credited to non-tax revenue, or are returned to the depositor.

#### **Importation of Dutch bulbs**

This account records deposits made in connection with the importation of Dutch bulbs. The inspections are made in Holland before the bulbs are containerized. When the inspections are completed, the actual fees are credited to non-tax revenue, with any excess returned to depositors.

#### **Miscellaneous projects' deposits—Agriculture**

These funds, which are for the furtherance of research work, are comprised of contributions from organizations and individuals.

#### **Deposit account—Consumer and Corporate Affairs**

This account records moneys held in trust to defray the cost of services provided on a regular basis. No interest is credited to the account.

#### **Canada works program**

The Canada works program was jointly funded by the federal and provincial governments.

This account records advance payments made by provinces against their share of the cost of projects, and held in trust pending disbursements to project sponsors.

#### **Canadian jobs strategy program**

The Canadian jobs strategy program is jointly funded by the federal and provincial governments.

This account records advance payments made by provinces against their share of the cost of projects, and held in trust pending disbursements to project sponsors.

#### **Employment expansion and development program**

The employment expansion and development program was jointly funded by the federal and provincial governments.

This account recorded advance payments made by provinces against their share of the cost of projects, and held in trust pending disbursements to project sponsors.

During the year, this account was closed and the outstanding balance was refunded to provinces.

#### **Summer employment—Experience development program**

The summer employment—Experience development program is jointly funded by the federal and provincial governments.

This account records advance payments made by provinces against their share of the cost of projects, and held in trust pending disbursements to project sponsors.

#### **Territorial subsidiary agreement on human resource development**

The territorial subsidiary agreement on human resource development program is jointly funded by the federal Government and the Government of the Northwest Territories.

This account records advance payments made by the territorial government against its share of the cost of projects, and held in trust pending disbursements to project sponsors.

The debit balance in the account is due to two transactions applied to the wrong fiscal year. This discrepancy will be corrected in 1986-87.

#### **Work orientation workshops program**

The work orientation workshops program is jointly funded by the federal and provincial governments.

This account records advance payments made by provinces against their share of the cost of projects, and held in trust pending disbursements to project sponsors.

#### **Market development incentive payments—Alberta**

This account records moneys received from the Government of Alberta, to encourage the expansion of natural gas markets in provinces east of Alberta, for the period November 1, 1981 to January 31, 1987. These moneys are received in accordance with an agreement between the Government of Canada and the Government of Alberta dated September 1, 1981. During 1985-86, payments to provincial and municipal utilities, and eligible recipients, were \$18.2 million under the Gas Marketing Assistance Program; \$53.1 million under the Distribution System Expansion Program; \$9.5 million under the Industrial Conversion Assistance Program; \$0.8 million under the Natural Gas Fueling Stations; \$1.2 million under the Natural Gas Vehicle Conversion Program; and, \$41.7 million under the Transportation Assistance Program II.

### **Miscellaneous projects' deposits—Energy, Mines and Resources**

These funds, which are for the furtherance of research work, are comprised of contributions from organizations and individuals.

### **Oil export charges revenue sharing account**

This account was reclassified as budgetary in 1985-86. The transactions in this account are now reported as revenue and expenditure on the Statement of Revenue and Expenditure. This reclassification was applied retroactively and the previous year's deficit and accumulated deficit have been restated for consistency. Additional information is provided in Section 7 of this volume and in the notes to the audited financial statements (Section 2 of this volume).

The balance in this account represents the unpaid amount of the share of the oil export charges which was payable in 1985-86 to oil producing provinces, in accordance with the Energy Administration Act.

### **Miscellaneous projects' deposits—Environment**

These funds, which are for the furtherance of research work, are comprised of contributions from organizations and individuals.

### **Cost recoverable technical assistance program**

This account records prepayments and disbursements in respect of the costs pertaining to the provision of technical assistance to other countries by Canadian firms and institutions pursuant to agreements between the Government of Canada and other national governments.

### **Guarantee deposits—Canadian International Development Agency**

This account records cheques for insurance claims related to damages to "in transit" goods being shipped to the country specified in the loan agreement, pending the decision of the country on the use of these moneys, to reduce the loan balance or to purchase replacement goods.

### **In-Situ contaminants workshop**

This account recorded funds received from the United States National Oceanographic and Atmospheric Administration, to provide for payment of the publication of the workshop proceedings on In-Situ contaminants.

### **Sino-Canadian audit management training**

This account was established to administer funds on behalf of the Audit Agency of the People's Republic of China. The funds represented a contribution from the Canadian International Development Agency to the Audit Agency of the People's Republic of China for the purpose of developing an audit training program.

### **Miscellaneous projects' deposits—Fisheries and Oceans**

These funds, which are for the furtherance of research work, are comprised of contributions from organizations and individuals.

### **Fines—Indian Act**

Fines collected under the Indian Act, in connection with liquor prosecutions, are credited to this account. Expenditures cover certain costs incurred in the suppression of the liquor traffic among the Indians of Canada.

### **Federal Court fees**

This account records fees collected under Section 57 of the Federal Court Act.

### **Foreign governments**

These accounts are maintained to record funds received from foreign governments, to cover expenditures to be made on their behalf, in accordance with provisions of agreements with the Government of Canada.

### **North Atlantic Treaty Organization (NATO)**

These accounts are maintained to record funds received from NATO to cover (a) NATO infrastructure projects implemented by Canada, and, (b) other expenditures to be made on NATO's behalf, in accordance with the terms of an agreement with the Government of Canada.

### **Non-government agencies**

This account is maintained to record funds received for expenditures made on behalf of non-government agencies, for which specific accounts have not been established.

### **Computerized space programming methodology**

This account was established to record transactions relating to the provinces' share of costs incurred under a cost-sharing agreement with provinces (except Quebec) and territories to computerize the Hospital Space Programming Methodology Series. Contributions are made by provinces to the account in proportion to population.

### **"Nobody's perfect"—Shared-cost project**

This account was established to record transactions relating to the provinces' share of costs incurred under a Federal-Provincial Cost-Sharing Agreement with the Atlantic provinces for a cooperative project on parenting.

### **World Health Organization**

This account records the funds received from the World Health Organization, for scientific projects.

### **Shared-cost projects**

This account records the receipt, in advance, of moneys from departments and agencies and others, for their share of certain shared-cost projects.

### **Trust fund—National Research Council**

This account is maintained to record funds received from departments and agencies and public organizations, to cover expenditures made on their behalf.

**Special fund—National Research Council**

This account was credited with revenue of the National Research Council of Canada derived from laboratory fees, \$8,224,619; capital, \$77,574; information services, \$2,734,026; sale of publications, \$3,099,518; and, miscellaneous receipts, \$853,471, under authority of the National Research Council Act. An amount of \$14,989,955 was charged hereto, of which an amount of \$9,884,435 was credited to National Research Council Vote 5, \$77,574 to National Research Council Vote 10, and, \$5,027,946 to National Research Council Vote 20, to offset expenditures.

**Promotion of official languages**

This account has been established to provide members of the private sector with language instruction using federal Government facilities and Public Service Commission instructors.

Advance payments from the private sector are credited to the account, and charges by the Public Service Commission for its services are charged thereto.

**Queen's Fellowship fund—Social Sciences and Humanities Research Council**

This fund is an endowment of \$250,000 that was established by a special appropriation in 1973-74. The income is used for the payment of scholarships to graduate students in certain fields of Canadian studies.

Interest at a rate equal to 90% of the simple arithmetic mean of accepted weekly three-month Treasury bill tender rates for the month immediately preceding the month in respect of which interest may be allowed, is credited to the account and charged to interest on public debt.

**Trust fund—Social Sciences and Humanities Research Council**

This account was established to record receipts and disbursements of funds available for social sciences and humanities research activities. The account is also used to record receipts of private donations and disbursements for the purpose of special projects.

**Interest on bonds—Insurance companies**

This account is credited with the proceeds from interest coupons on bonds deposited by insurance companies under the Canadian and British Insurance Companies Act. Debits represent the payment of the same interest to the insurance companies.

The debit balance in the account is the result of timing differences between the deposit of proceeds and payments to insurance companies.

**Military purchases excess funds deposit**

This account records temporarily unutilized funds paid to the United States Government under contracts for purchases

of military equipment. The funds are invested by the Federal Reserve Bank of New York to earn interest for the Government of Canada.

**Statistics Canada—Advance payments**

This account records advance payments received from departments and agencies and others to finance the cost of special statistical services.

**Provincial sales tax—National Library**

This account is provided for the recording of provincial sales tax collected on behalf of provincial governments, in connection with the sale of microfilm and reproductions.

**Provincial sales tax—Public Archives**

This account is provided for the recording of provincial sales tax collected on behalf of provincial governments, in connection with the sale of microfilm and reproductions.

**Provincial sales tax—Energy, Mines and Resources**

This account is provided for the recording of provincial sales tax collected on behalf of provincial governments, in connection with the sales of maps, charts and photographs.

**Provincial sales tax—Correctional Service**

This account is credited with provincial sales tax on sales made by the Correctional Service of Canada, less the commission allowed to vendors where applicable, and is charged with payments to provinces.

Sales tax liability is recognized at the time of sale and is remitted the following month.

The debit balance in the account indicates an over-remittance of sales tax to be recovered in a subsequent period.

**Provincial sales tax—Royal Canadian Mounted Police**

This account is credited with provincial sales tax on sales made by the Royal Canadian Mounted Police, and is charged with payments to provinces.

The debit balance results from prepayments and/or overpayments of sales tax to the provinces of Quebec and Ontario. These amounts were recovered in 1986-87.

**Federal sales tax—Correctional Service**

This account is credited with federal sales tax on sales made by the Correctional Service of Canada, and is charged with remittances to National Revenue, Customs and Excise.

Sales tax liability is recognized at the time of sale and is remitted the following month.

The debit balance in the account indicates an over-remittance of sales tax to be recovered in a subsequent period.

## SUPPLEMENTARY STATEMENTS

## Canada Pension Plan Account and the Canada Pension Plan Investment Fund

## AUDITOR'S REPORT

TO THE MINISTER OF NATIONAL HEALTH AND WELFARE

I have examined the statements of the Canada Pension Plan Account and the Canada Pension Plan Investment Fund for the year ended March 31, 1986. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these statements present fairly the balance and changes of the Account and the Fund for the year ended March 31, 1986 in accordance with the accounting policies set out in Note 2 to the statements applied on a basis consistent with that of the preceding year.

Raymond Dubois, C.A.  
Deputy Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
August 29, 1986

STATEMENT OF THE CANADA PENSION PLAN ACCOUNT  
FOR THE YEAR ENDED MARCH 31, 1986  
(in thousands of dollars)

	1986	1985
Amounts credited		
Contributions—Employees, employers and self-employed	4,495,146	3,879,487
Interest (Note 3)	3,161,581	2,888,316
	7,656,727	6,767,803
Amounts charged		
Benefits		
Retirement pensions	3,206,065	2,762,103
Survivors' pensions	763,482	677,940
Disability pensions	629,543	526,983
Orphans' benefits	114,308	109,921
Death benefits	104,430	85,724
Disabled contributors' child benefits	69,306	60,640
	4,887,134	4,223,311
Expenses (Note 4)		
Collection of contributions	51,694	45,012
Administration	40,520	37,930
Cheque issue and computer services	15,468	12,542
Accommodation	2,186	2,753
Assignment of social insurance numbers and maintenance of central index	1,004	1,392
Actuarial services	371	382
	111,243	100,011
	4,998,377	4,323,322
Increase in balance	2,658,350	2,444,481
Balance at beginning of year	29,056,452	26,611,971
Balance at end of year	31,714,802	29,056,452
Represented by:		
Canada Pension Plan Investment Fund	29,941,802	27,554,433
Operating balance on deposit with the Receiver General for Canada	1,773,000	1,502,019
	31,714,802	29,056,452

Approved on behalf of the Department of National Health and Welfare:

R. J. ALLEN  
For the Assistant Deputy Minister  
Income Security Programs

J. D. NICHOLSON  
For the Deputy Minister



# Canada Pension Plan Account and the Canada Pension Plan Investment Fund—Continued

STATEMENT OF THE CANADA PENSION PLAN INVESTMENT FUND  
FOR THE YEAR ENDED MARCH 31, 1986  
(in thousands of dollars)

	Balance at beginning of year	Amounts charged—Purchases	Amounts credited—Redemptions	Balance at end of year
Investment in securities (Note 5)				
Provinces				
Newfoundland	570,178	50,570	655	620,093
Prince Edward Island	119,664	8,975	108	128,531
Nova Scotia	1,078,291	91,752		1,170,043
New Brunswick	819,142	46,125	972	864,295
Quebec	109,874	5,792		115,666
Ontario	14,633,710	1,213,502	20,110	15,827,102
Manitoba	1,558,714	125,961	2,077	1,682,598
Saskatchewan	1,240,101	112,507	1,432	1,351,176
Alberta	3,053,174	332,280		3,385,454
British Columbia	4,166,248	185,406		4,351,654
Canada	27,349,096	2,172,870	25,354	29,496,612
	205,337	239,955	102	445,190
	27,554,433	2,412,825	25,456	29,941,802

Approved on behalf of the Department of National Health and Welfare:

R. J. ALLEN  
For the Assistant Deputy Minister  
Income Security Programs

J. D. NICHOLSON  
For the Deputy Minister

## NOTES TO STATEMENTS FOR THE YEAR ENDED MARCH 31, 1986

### 1. Plan description and authority

The Canada Pension Plan (the Plan) is a compulsory and contributory social insurance plan which enables members of the labour force to acquire and retain protection for themselves and their families against loss of income due to retirement, disability or death. The Plan applies in all parts of Canada, except for the Province of Quebec which has a parallel plan.

Under existing arrangements, all benefits and all costs incurred in the administration of the Plan are financed by the contributions made by employees, employers and self-employed persons and the interest earned from the investment of funds.

The Canada Pension Plan Account (the Account) was established in the accounts of Canada by Section 110.(1) of the Canada Pension Plan, a 1965 Act of Parliament, to record the contributions, interest, benefits and expenses of the Plan.

The Canada Pension Plan Investment Fund (the Fund) was established in the accounts of Canada by Section 111.(1) of the Plan to record the investment in securities of the provinces and Canada.

### 2. Accounting policies

#### Canada Pension Plan Account

The amounts credited and charged to the Account are in accordance with Sections 110.(2) and 110.(3) of the Plan, respectively. Contributions, interest and benefits are recorded on a cash basis. Contributions are received from Revenue Canada—Taxation based on estimates of collections for the current year and adjustments to the estimates of prior years. Expenses are recorded on an accrual basis. The balance in the Account represents the accumulated excess of contributions and interest over benefits and expenses to date.

#### Canada Pension Plan Investment Fund

The amounts charged and credited to the Fund are in accordance with Section 111.(2) of the Plan. All securities held are carried at cost, are non-negotiable and have a term of 20 years or such lesser period as may be determined by the Minister of Finance on the recommendation of the Chief Actuary of the Department of Insurance.

## Canada Pension Plan Account and the Canada Pension Plan Investment Fund—*Concluded*

### NOTES TO STATEMENTS FOR THE YEAR ENDED MARCH 31, 1986—*Concluded*

#### 3. Interest

	1986	1985
	(in thousands of dollars)	
Interest on investment in securities held by the Fund. The weighted average rate of interest on securities purchased during the year was 11.49% (1985—13.00%)		
Provinces		
Newfoundland .....	63,035	57,236
Prince Edward Island .....	13,251	12,095
Nova Scotia .....	119,245	108,232
New Brunswick .....	88,785	81,421
Quebec .....	11,068	10,415
Ontario .....	1,584,776	1,445,581
Manitoba .....	168,671	154,092
Saskatchewan .....	135,886	123,036
Alberta .....	344,391	308,251
British Columbia .....	453,625	416,016
Canada .....	2,982,733	2,716,375
	26,580	20,439
	3,009,313	2,736,814
Interest on operating balance on deposit with the Receiver General for Canada, at a weighted average rate of 9.55% (1985—11.02%) .....	152,268	151,502
	3,161,581	2,888,316

#### 4. Expenses

Expenses of the Account represent the costs of administration charged by six federal government departments: Revenue Canada—Taxation (collection of contributions); Health and Welfare (administration); Supply and Services (cheque issue and computer services); Public Works (accommodation); Employment and Immigration (assignment of social insurance numbers and maintenance of central index); and Insurance (actuarial services).

#### 5. Investment in securities

Operating balances on deposit with the Receiver General in excess of estimated cash requirements for the following three-month period are available for purchases of securities of the provinces and Canada. The monies available for securities purchases are allocated to the provinces based on the proportion of contributions credited to the Account during the preceding 10 years in respect of employment in a given province to the total contributions in those years. The portion attributed to employment in the Yukon Territory, the Northwest Territories and certain other employees outside Canada are invested in securities of Canada.

The securities of Quebec relate to the contributions of certain federal employees, such as members of the Canadian Armed Forces, who are residents in the Province of Quebec.

#### 6. Financing of the Plan

When the Plan was introduced, the combined employer-employee contribution rate was set at 3.6% of the contributory earnings with the understanding that this would be sufficient to meet the cost of benefits and

administration for a certain period of time but not indefinitely. In the initial years, a fund would be built up from which resources would be used to purchase securities of the provinces and, to a much lesser extent, securities of Canada as described in Note 5. However, since inception of the Plan, it has been recognized that the 3.6% contribution rate would need to be raised.

The Plan is not designed to be fully funded, but if it were, the Chief Actuary of the Department of Insurance estimates that an additional \$231 billion would need to be invested at December 31, 1985 to pay future benefits of all contributors and pensioners in the Plan at that time. The estimate is based on ultimate economic assumptions and all other assumptions used in the actuarial report tabled in the House of Commons on June 5, 1984.

Under existing legislation, any proposed enactment to alter the general level of benefits or the rate of contributions requires agreement by at least two-thirds of the 10 provinces having an aggregate of not less than two-thirds of the population.

Bill C-116, which received Royal Assent on June 27, 1986 with an expected proclamation date of January 1, 1987, establishes a long-term financing philosophy for the Plan and sets out provisions for the timing, rate of increase of the contribution rates and amendments thereto which will be made by regulation.

The Bill contains a 25 year schedule of contribution rates providing for an increase from the 1986 rate of 3.6% progressively by 0.2 percentage points each year until 1991 and by 0.15 percentage points thereafter until 2011 when it will reach 7.6%. However, it stipulates that every five years the Minister of Finance and ministers of the Crown from the included provinces shall review the contribution rates set out in the schedule and make recommendations as to whether those rates should be changed and as to whether the schedule should be amended to include contribution rates for an additional five years. If, for any reason, the schedule is not amended for the additional five years the Minister of Finance shall, by regulation, amend the schedule to include the contribution rates set out in the most recent report prepared by the Chief Actuary. By the year 2011, it is expected that the Plan's Account will be equivalent to approximately two year's expenditure of the Plan.

It is expected that the Chief Actuary's Report No 10 containing his examination of the financial impact of the proposed legislative changes will be tabled in Parliament in October of this year.

Government Annuities Account

AUDITOR'S REPORT

TO THE MINISTER OF EMPLOYMENT AND IMMIGRATION

I have examined the balance sheet of the Government Annuities Account as at March 31, 1986 and the statements of operations and actuarial reserves and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Account as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, I have examined the transactions that came to my notice in the course of the above mentioned examination of the financial statements of the Government Annuities Account for the year ended March 31, 1986, to determine whether they were in accordance with section 15 of the Government Annuities Act and Regulations and section 15 of the Government Annuities Improvement Act. My examination of these transactions was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances. In my opinion, these transactions were, in all significant respects, in compliance with the authorities specified.

Raymond Dubois, C.A.  
Deputy Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
July 17, 1986

BALANCE SHEET AS AT MARCH 31, 1986  
(in thousands of dollars)

ASSETS			LIABILITIES		
	1986	1985		1986	1985
Deposit with Receiver General for Canada .....	987,230	1,020,498	Account payable .....		18
Accrued interest due from Canada .....	72,555	74,988	Actuarial surplus due to Canada .....	3,126	6,015
Accounts receivable .....	196	176	Actuarial reserves (Note 3) .....	1,056,855	1,089,629
	1,059,981	1,095,662		1,059,981	1,095,662

Approved by the Canada Employment and Immigration Commission:

GAETAN LUSSIER  
Chairman

PAUL GAUVIN  
Executive Director  
Finance and Administration

## Government Annuities Account—Continued

### STATEMENT OF OPERATIONS AND ACTUARIAL RESERVES FOR THE YEAR ENDED MARCH 31, 1986 (in thousands of dollars)

	1986	1985
Payments and other charges		
Annuity payments	99,887	99,205
Premium refunds	2,914	3,404
Unclaimed annuities	313	215
	103,114	102,824
Income		
Interest from Canada	72,555	74,988
Premiums	840	770
Other	71	81
	73,466	75,839
Excess of payments and other charges over income for the year	29,648	26,985
Actuarial reserves, balance at beginning of the year	1,089,629	1,122,629
	1,059,981	1,095,644
Actuarial surplus—Excess of recorded actuarial reserves over calculated actuarial reserves at end of the year	3,126	6,015
Actuarial reserves, balance at end of the year (Note 3)	1,056,855	1,089,629
Represented by:		
Accumulated premiums and accrued interest for unmatured annuities	348,295	384,941
Present value of matured annuities	708,560	704,688
Total actuarial reserves (Note 3)	1,056,855	1,089,629

### STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1986 (in thousands of dollars)

	1986	1985
Funds were used for:		
Operations		
Excess of payments and other charges over income for the year	29,648	26,985
Decrease in accrued interest and others	(2,395)	(1,798)
	27,253	25,187
Actuarial surplus remitted to Consolidated Revenue Fund	6,015	1,139
Total funds used	33,268	26,326
Deposit with Receiver General for Canada, balance at beginning of the year	1,020,498	1,046,824
Deposit with Receiver General for Canada, balance at end of the year	987,230	1,020,498

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 1986

#### 1. Authority and purpose

The Government Annuities Account was established in 1908 by the Government Annuities Act, R.S.C. c. G-6 (the "Act"), and modified by the Government Annuities Improvement Act, S.C. 1974-75-76, c. 83, (the "Improvement Act").

The purpose of the Act was to assist individuals and groups of Canadians to provide for their later years by purchasing Government annuities. The Improvement Act increased the rate of return on Government annuity contracts to a rate of seven percent, increased their flexibility and discontinued future sales.

The Account is administered by the Canada Employment and Immigration Commission and operates through the Consolidated Revenue Fund.

#### 2. Significant accounting policies

##### (a) Basis of accounting

The accounts of the Government Annuities Account are maintained on an accrual basis.

##### (b) Actuarial reserves

Actuarial reserves comprise: (i) in respect of unmatured annuities, accumulated premiums and accrued interest, and (ii) in respect of matured annuities, the present value of such annuities actuarially determined on the basis of such rate or rates of interest and mortality tables as is prescribed.

##### (c) Actuarial surplus due to Canada

If at the end of any fiscal year the recorded amount of actuarial reserves exceeds or is less than the calculated amount of actuarial reserves, the difference results in an actuarial surplus or deficit which is remitted to or recovered from the Consolidated Revenue Fund.

##### (d) Interest from Canada

Interest from Canada is calculated on actuarial reserves as prescribed by the Improvement Act.

##### (e) Unclaimed annuities

Unclaimed annuities represent amounts transferred to the Consolidated Revenue Fund in respect of annuities that could not be paid because the annuitants could not be located.

##### (f) Services provided without charge

Administrative services are provided to the Account by the Canada Employment and Immigration Commission and by other Government departments without charge.



**Government Annuities Account—*Concluded***

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1986—*Concluded*

## 3. Actuarial reserves

The method utilized to calculate the actuarial reserves of \$1,056,855 (1985—\$1,089,629) was in accordance with subsection 15(1) of the Government Annuities Improvement Act, S.C. 1974-75-76, c. 83 and the Regulations pertaining thereto.

The Government Annuities Regulations provide that the Mortality Tables to be used in the preparation of tables for determining the values of annuities shall be the Annuity Table for 1949 (without projection) for males and females and modified by Projection Scale C.

Mortality statistics in the last decade have shown that life expectancy has increased at a faster rate than that provided by Projection Scale C. Should this trend continue at the same rate in the future, the 1949 Mortality table adjusted by Projection Scale C may need to be modified and could result in a potential additional liability that would impact future actuarial reserves. During 1985-86, the Canada Employment and Immigration Commission completed a study on mortality in the last five years and the results have demonstrated that the life expectancy appears to stabilize itself to the level provided in Projection Scale C. The Commission will in effect continue such studies on an annual basis.

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## Royal Canadian Mounted Police (Dependants) Pension Fund

### AUDITOR'S REPORT

TO THE SOLICITOR GENERAL OF CANADA

I have examined the statement of receipts and disbursements and fund balance of the Royal Canadian Mounted Police (Dependants) Pension Fund for the year ended March 31, 1986. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, this financial statement presents fairly the receipts and disbursements of the Fund and its balance for the year ended March 31, 1986 in accordance with the basis of accounting set out in Note 2 to the financial statement applied on a basis consistent with that of the preceding year.

Raymond Dubois, C.A.  
Deputy Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
August 1, 1986

### STATEMENT OF RECEIPTS AND DISBURSEMENTS AND FUND BALANCE FOR THE YEAR ENDED MARCH 31, 1986

	1986	1985
	\$	\$
Receipts		
Interest .....	1,500,909	1,381,597
Contributions .....	27,130	30,052
	1,528,039	1,411,649
Disbursements		
Pensions .....	444,390	424,735
Contributions withdrawn .....	39,941	16,826
	484,331	441,561
Excess of receipts over disbursements .....	1,043,708	970,088
Fund balance at beginning of the year .....	13,764,359	12,794,271
Fund balance at end of the year, represented by cash on deposit with Receiver General for Canada .....	14,808,067	13,764,359

Approved:

PIERRE LEMIEUX  
*Departmental Services Officer*

R. H. SIMMONDS  
*Commissioner*

### NOTES TO FINANCIAL STATEMENT MARCH 31, 1986

#### 1. Authority and operations

The Royal Canadian Mounted Police (Dependants) Pension Fund was established in 1934 by the Royal Canadian Mounted Police Pension Continuation Act. The Act provides for members of the Force, other than commissioned officers, appointed before March 1, 1949, to purchase certain survivorship benefits for their dependants by payment of specified contributions. The Fund is credited with these contributions together with interest computed quarterly on the balance to the credit of the Fund at the end of the preceding quarter, and charged with contributions withdrawn and pensions. All transactions of the Fund are made through the Consolidated Revenue Fund.

Section 56 of the Act directs the Minister of Finance to have an actuarial valuation of the Fund made at least once every 5 years. If the actuarial valuation discloses a surplus, the Governor in Council may, by order, increase pensions. If there is an actuarial deficiency, the Governor in Council may direct that there be credited to the Fund, out of any unappropriated moneys in the Consolidated Revenue Fund, such amount as may be required to re-establish solvency of the Fund.

#### 2. Basis of accounting

All transactions of the Fund are accounted for on a cash basis.

#### 3. Supplementary information

The most recent actuarial valuation was made as at March 31, 1984. The valuation disclosed an actuarial surplus of \$2,576,000 of which \$1,176,000 was allocated to increased pensions, retroactive to January 1, 1984 and \$532,000, retroactive to January 1, 1985.

# SECTION 10

## 1985-86 PUBLIC ACCOUNTS

### Other Liabilities

#### CONTENTS

	<i>Page</i>
Interest and matured debt .....	10.2
Accounts payable.....	10.3
Outstanding cheques and warrants .....	10.3
Allowance for employee vacation and termination benefits .....	10.3
Allowance for borrowings of agent Crown corporations expect- ed to be repaid by the Government .....	10.3
Miscellaneous.....	10.4

## OTHER LIABILITIES

This section contains information on accounts reported on the Statement of Assets and Liabilities under "Other Liabilities". The establishment and operation of these accounts is authorized by Parliament in annual appropriation acts and other legislation.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well

as receipts and other credits, and payments and other charges. In addition, the term "account without current transactions" has been included in one table, to show the net result of transactions in accounts which were closed out in the previous year.

Table 10.1 presents the year-end balances for other liabilities.

TABLE 10.1

### OTHER LIABILITIES

	April 1/1985	March 31/1986	Net increase or decrease ( - )	
	\$	\$	1986	1985
Interest and matured debt, Table 10.2 .....	10,805,851,400	10,575,729,742	- 230,121,658	1,167,138,527
Less: unamortized discount on Treasury bills .....	1,387,407,202	1,491,381,625	103,974,423	371,029,176
	<i>9,418,444,198</i>	<i>9,084,348,117</i>	<i>- 334,096,081</i>	<i>796,109,351</i>
Accounts payable .....	6,097,515,450	5,434,079,186	- 663,436,264	1,350,523,682
Outstanding cheques and warrants, Table 10.3 .....	3,422,522,153	2,934,059,674	- 488,462,479	376,178,418
Allowance for employee vacation and termination benefits .....	2,050,000,000	2,050,000,000		150,000,000
Allowance for borrowings of agent Crown corporations expected to be repaid by the Government—				
Borrowings of agent Crown corporations .....	12,864,133,000	14,622,804,000	1,758,671,000	2,100,949,000
Less: borrowings expected to be repaid by these Crown corporations .....	12,810,306,000	14,622,804,000	1,812,498,000	2,135,048,000
	<i>53,827,000</i>		<i>- 53,827,000</i>	<i>- 34,099,000</i>
Miscellaneous, Table 10.4 .....	185,079,149	190,453,900	5,374,751	50,999,961
Total .....	21,227,387,950	19,692,940,877	- 1,534,447,073	2,689,712,412

## Interest and Matured Debt

Interest and matured debt includes interest due, interest accrued, provision for compound and bonus interest on Canada savings bonds, and matured debt.

Table 10.2 presents a summary of the balances and transactions in this account.

TABLE 10.2

### INTEREST AND MATURED DEBT

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease ( - )	
	\$	\$	\$	\$	1986	1985
Interest due .....	5,376,757,016	33,333,315,773	33,429,871,412	5,280,201,377	- 96,555,639	630,155,685
Interest accrued .....	4,732,048,516	24,855,067,137	24,723,961,867	4,863,153,786	131,105,270	909,945,385
Provision for compound and bonus interest on Canada savings bonds—						
Compound interest .....	58,450,000	288,790,000	347,240,000		- 58,450,000	- 58,030,000
Bonus interest .....	263,510,000	55,930,000	319,440,000		- 263,510,000	- 383,381,000
	<i>321,960,000</i>	<i>344,720,000</i>	<i>666,680,000</i>		<i>- 321,960,000</i>	<i>- 441,411,000</i>
Matured debt .....	375,085,868	308,230,871,222	308,173,582,511	432,374,579	57,288,711	68,448,457
Total .....	10,805,851,400	366,763,974,132	366,994,095,790	10,575,729,742	- 230,121,658	1,167,138,527



**Interest due**

Interest due is the interest on the bonded debt, which is due and payable but has not been redeemed by bond holders.

**Interest accrued**

Interest accrued is the interest accumulated as at March 31 on the bonded debt and certain other liabilities, that is not payable until a future date.

**Provision for compound and bonus interest on Canada savings bonds**

This account recorded the estimated future obligations for additional interest payments, to holders of certain Canada savings bonds.

**Matured debt**

This account records financial obligations represented by certificates of indebtedness issued by the Government of Canada, that have become due but that have not been presented for redemption. Unclaimed matured bonds are transferred to non-tax revenue if they remain unredeemed 15 years after the date of call or maturity, whichever is earlier; the minimum time before such a transfer is made is 5 years from the date of maturity.

**TABLE 10.3****OUTSTANDING CHEQUES AND WARRANTS**

	April 1/1985	March 31/1986	Net increase or decrease ( - )	
	\$	\$	1986	1985
Outstanding cheques.....	3,168,000,593	2,705,194,270	- 462,806,323	365,386,314
Imprest account cheques .....	596,547	633,826	37,279	100,535
Unemployment Insurance warrants .....	253,925,013	228,231,578	- 25,693,435	10,691,569
Total .....	3,422,522,153	2,934,059,674	- 488,462,479	376,178,418

**Outstanding cheques**

Cheques issued in Canadian dollars, and unpaid at March 31, are recorded in this account. Cheques outstanding for 10 years are transferred to non-tax revenue. During the year, an amount of \$4,712,312 was transferred to revenue.

Cheques in foreign currencies are credited to the Government's cash account at the time of issue.

**Imprest account cheques**

Imprest account cheques issued and unpaid at March 31, with the exception of those outstanding for 10 years or more (which have been transferred to non-tax revenue), are recorded in this account. During the year, an amount of \$35,451 was transferred to revenue.

**Unemployment Insurance warrants**

This account records outstanding Unemployment Insurance benefit warrants.

**Unamortized Discount on Treasury Bills**

This account records the portion of the discount on outstanding Treasury bills which has not yet been charged to expenditure. The discount is amortized as an expenditure over the term of issue.

**Accounts Payable**

This account represents amounts owing at the year end pursuant to contractual arrangements, or for work performed, goods received, or services rendered, relating to appropriations on which Parliament has imposed annual ceilings, and items to be paid from certain statutory authorities.

**Outstanding Cheques and Warrants**

This account records cheques and warrants issued but not yet presented for payment.

Table 10.3 presents a summary of the balances in this account.

**Allowance for Employee Vacation and Termination Benefits**

This account represents allowances for amounts owing for earned and unpaid annual vacation leave (\$450 million) and for employee benefits payable upon termination of employment (\$1,600 million).

**Allowance for Borrowings of Agent Crown Corporations Expected to be Repaid by the Government**

In accordance with Section 45 of the Financial Administration Act, the payment of all money borrowed by agent Crown corporations, and interest thereon, is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute unconditional obligations of the Government.

This account reports the borrowings of agent Crown corporations expected to be repaid by the Government (see Table 8.4 in Section 8 of this volume).

## Other Liabilities—Miscellaneous

Table 10.4 presents a summary of the balances and transactions for other miscellaneous liabilities.

TABLE 10.4

### OTHER LIABILITIES—MISCELLANEOUS

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease ( - )	
					1986	1985
	\$	\$	\$	\$	\$	\$
Eldorado Mining and Refining Limited—						
Unrepresented capital stock .....	23,695			23,695		
Miscellaneous departmental payroll deductions ..	13,200,996	12,748,631	13,200,996	12,748,631	- 452,365	- 7,868,286
Contractors' and other holdbacks—						
Agriculture .....	1,821,287	495,220	5,906	2,310,601	489,314	- 265,980
Communications .....	1,933,205	2,028,212	2,623,798	1,337,619	- 595,586	1,324,886
National Library .....	33,852	40,722	74,574		- 33,852	17,854
Consumer and Corporate Affairs .....	4,167	6,369	4,515	6,021	1,854	686
Employment and Immigration .....	29,369	105,460	95,340	39,489	10,120	20,137
Energy, Mines and Resources .....	8,555,599	15,225,941	9,646,621	14,134,919	5,579,320	3,215,120
Atomic Energy Control Board .....	54,979	412,562	399,868	67,673	12,694	- 12,533
Environment .....	2,835,923	134,311	26,270	2,943,964	108,041	36,886
External Affairs .....	1,378,630	1,508,262	191,046	2,695,846	1,317,216	600,631
Canadian International Development						
Agency .....	15,506,583	15,456,273	18,529,237	12,433,619	- 3,072,964	1,761,727
Fisheries and Oceans .....	2,382,280	3,154,748	3,043,947	2,493,081	110,801	1,413,211
Indian Affairs and Northern Development .....	788,362	925,523	1,045,449	668,436	- 119,926	- 1,493,350
Justice .....	2,695	12,188	10,809	4,074	1,379	2,695
National Defence .....	67,557,827	158,344,758	168,862,911	57,039,674	- 10,518,153	40,421,599
National Health and Welfare .....	386,776		153,459	233,317	- 153,459	57,046
National Revenue—						
Customs and Excise .....	917,635	368,821	773,096	513,360	- 404,275	745,874
Public Works .....	22,499,039	36,814,594	27,404,492	31,909,141	9,410,102	3,914,020
Regional Industrial Expansion .....	321,865	90,385	126,046	286,204	- 35,661	17,451
Science and Technology—						
National Research Council .....	3,376,842	4,237,126	3,665,507	3,948,461	571,619	812,534
Solicitor General—						
Administration program .....	203,461	243,697	282,731	164,427	- 39,034	- 179,857
Correctional Service .....	1,108,465	823,784	1,488,709	443,540	- 664,925	238,126
Royal Canadian Mounted Police .....	1,550,926	425,266		1,976,192	425,266	923,130
Supply and Services—						
Supply program .....	2,758,199	3,500	487,669	2,274,030	- 484,169	511,653
Services program .....	4,493		4,493		- 4,493	4,493
Transport .....	20,734,311	23,871,465	22,094,961	22,510,815	1,776,504	2,173,117
Canadian Transport Commission .....	14,841	47,298	32,587	29,552	14,711	- 1,508
Account without current transactions .....					- 25,000	
	156,761,611	264,776,485	261,074,041	160,464,055	3,702,444	56,234,648
Suspense accounts .....	15,092,847	2,124,672		17,217,519	2,124,672	2,633,599
Total .....	185,079,149	279,649,788	274,275,037	190,453,900	5,374,751	50,999,961

#### Eldorado Mining and Refining Limited—Unrepresented capital stock

The liability of the Government of Canada for the value of the paid-up capital stock of the former company, which has not been redeemed at the close of the year, is recorded herein.

#### Miscellaneous departmental payroll deductions

Deductions from the salaries and wages of certain employees are credited to this account pending transmittal to related outside organizations.

#### Contractors' and other holdbacks

This account records the amounts withheld to ensure that contracts are carried out as stipulated. Holdbacks are charged to appropriations of departments or agencies concerned, and are credited to this account under Section 35 of the Financial Administration Act. They are paid out in accordance with contracts under regulations of the Treasury Board.

#### Suspense accounts

Accounts in which transactions are recorded temporarily, pending their ultimate disposition.

# SECTION 11

1985-86  
PUBLIC ACCOUNTS

## Foreign Exchange Accounts

### CONTENTS

	<i>Page</i>
International reserves held in the Exchange Fund Account .....	11.2
International Monetary Fund— Subscriptions .....	11.3
International Monetary Fund— Notes payable .....	11.3
Special Drawing Rights allocations .....	11.3
Supplementary statement—	
Exchange Fund Account .....	11.4

## FOREIGN EXCHANGE ACCOUNTS

Foreign exchange accounts represent financial claims and obligations of the Government of Canada which are identified with Canada's foreign exchange operations. Financial claims and obligations denominated in foreign currencies are reported at Canadian dollar equivalents at March 31. Net gains resulting from the translation of the net assets denominated in foreign currencies, to Canadian dollar equivalents as at March 31, are credited to revenue as premium and discount on exchange, and net losses are charged to budgetary expenditure of the Department of Finance.

Table 11.1 presents the continuity of each foreign exchange account, by showing the opening and closing balances, as well as receipts and other credits, and payments and other charges. It should be noted, however, that this table excludes unmatured debt payable in foreign currencies, amounting to \$13,785 million as at March 31, 1986 (\$9,057 million as at March 31, 1985); details relating to these obligations are presented in Section 12 of this volume.

TABLE 11.1

### FOREIGN EXCHANGE ACCOUNTS

	April 1/1985	Receipts and other credits	Payments and other charges	March 31/1986	Net increase or decrease ( - )	
	\$	\$	\$	\$	1986	1985
International reserves held in the Exchange						
Fund Account.....	4,211,004,743	27,395,650,952	26,642,964,932	3,458,318,723	- 752,686,020	587,850,644
International Monetary Fund—Subscriptions ..	3,985,260,870	2,522,660	687,399,930	4,670,138,140	684,877,270	- 9,940,580
	8,196,265,613	27,398,173,612	27,330,364,862	8,128,456,863	- 67,808,750	577,910,064
Less: International Monetary Fund—Notes payable .....	3,275,783,885	682,394,653	45,783,885	3,912,394,653	636,610,768	32,017,854
Special Drawing Rights allocations .....	1,055,992,500	182,143,452		1,238,135,952	182,143,452	- 2,634,001
	4,331,776,385	864,538,105	45,783,885	5,150,530,605	818,754,220	29,383,853
Total foreign exchange accounts .....	3,864,489,228	28,262,711,717	27,376,148,747	2,977,926,258	- 886,562,970	548,526,211

### International Reserves Held in the Exchange Fund Account

This account records the moneys advanced from the Government of Canada to the Exchange Fund Account, in Canadian and other currencies, for the purchase of gold, foreign currencies and securities, and Special Drawing Rights (SDRs).

The Exchange Fund Account is operated under the provisions of the Currency Act. In accordance with this Act, audited financial statements for the Exchange Fund Account are prepared for each calendar year. These financial statements as at December 31, 1985, together with the Auditor General's report thereon, are found at the end of this section.

Commencing with the 1985-86 fiscal year, foreign exchange reserves, rather than the outstanding advances to acquire such reserves, are reported on the Statement of Assets and Liabilities. Accordingly, all investment income or losses and valuation gains or losses are recognized in the accounts of Canada

as either revenue or expenditure of the current year rather than being taken into revenue or expenditure in three equal portions over the current and two succeeding years.

Table 11.2 shows foreign exchange reserves held by and advances to the Exchange Fund Account as at March 31, 1986. Gold held by the Account is valued at 35 SDRs per fine ounce (\$55.61 Cdn as at March 31, 1986 and \$47.31 Cdn as at March 31, 1985).

In 1985-86, payments and other charges consisted of advances to the Exchange Fund Account in the amount of \$25,587 million, and a valuation adjustment of \$1,056 million. Receipts and other credits consisted of repayments of advances of \$26,839 million, and an adjustment of \$556 million due to recognition of international reserves held in the Exchange Fund Account.



TABLE 11.2

# INTERNATIONAL RESERVES HELD IN THE EXCHANGE FUND ACCOUNT

(in millions of dollars)

	March 31/ 1986	March 31/ 1985
US cash on deposit.....	22	110
US dollar short-term deposits.....	419	1,023
US dollar investments.....	1,380	1,852
Special Drawing Rights.....	259	48
International Monetary Fund notes.....	261	224
Gold.....	1,118	953
Canadian cash on deposit.....	(1)	1
Total.....	3,459	4,211
Advances by the Consolidated Revenue Fund were denominated as follows:		
US dollars (1986, US \$7,060 million; 1985, US \$4,300 million) <sup>(2)</sup> .....	9,854	5,864
Deutsche marks (1986, DM 200 million; 1985, DM 200 million).....	119	89
Swiss francs (1986, SF 1,664 million; 1985, SF 1,676 million).....	1,188	885
Japanese yen (1986, Y 258,450 million; 1985, Y 186,150 million).....	2,032	1,014
Special Drawing Rights (1986, SDR 383.3 million; 1985, SDR 383.3 million).....	609	518
	13,802	8,370
Less: Canadian dollar deposit with the Receiver General for Canada.....	9,821	4,193
Total advances from the Consolidated Revenue Fund.....	3,981	4,177
Less: losses or income (-) and valuation losses or gains (-) recognized as expenditure or revenue—		
Deferred valuation losses or gains (-) at previous December 31.....	403	- 90
Total net losses from January 1 to March 31.....	119	56
	522	- 34
Total.....	3,459	4,211

(1) Less than \$500,000.

(2) Excludes 1962 issue (1986, \$64,765,120; 1985, \$65,452,800) and 1968 issue (1986, \$139,580,000; 1985, \$136,360,000), the proceeds of which were advanced to the Exchange Fund Account in Canadian dollars.

## International Monetary Fund—Subscriptions

This account records the value of Canada's quota (i.e. subscription assigned) in the capital of the International Monetary Fund (IMF).

The amount by which the sum of Canada's subscriptions and loans to the IMF, under special facilities, exceeds the IMF's holdings of Canadian dollars represents the amount of foreign exchange which Canada is entitled to draw from the IMF on demand, for balance of payments purposes. The subscription is expressed in terms of the SDR, a unit of account defined in terms of a "basket" of five major currencies.

Canada has accumulated its subscriptions through settlements to the IMF in Canadian dollars, gold and SDRs. Annual maintenance of value payments are made to, or received from, the IMF when the Canadian dollar depreciates or appreciates against the SDR, in order to maintain the SDR-value of the IMF's holdings of Canadian dollars. In 1985-86, receipts and other credits consisted of a valuation adjustment of \$2 million, while payments and other charges consisted of a maintenance of value adjustment of \$578 million and a valuation adjustment of \$109 million.

## International Monetary Fund—Notes Payable

This account records non-marketable, non-interest bearing notes issued by the Government of Canada to the IMF. These notes are payable on demand and are subject to redemption or re-issue, depending on the needs of the IMF for Canadian currency.

Canadian dollar holdings of the IMF include these notes and a small working balance (initially equal to one-quarter of one percent of Canada's subscription) held on deposit at the Bank of Canada. In 1985-86, notes payable to the IMF increased by \$637 million.

## Special Drawing Rights Allocations

This account records the value of SDRs allocated to Canada by the IMF. The Special Drawing Right is an international currency created by the IMF, and allocated to countries participating in its Special Drawing Rights Department. It represents a liability of Canada, as circumstances could arise whereby Canada could be called upon to repay these allocations, in part or in total.

As an asset, SDRs represent rights to purchase currencies of other countries participating in the IMF's Special Drawing Rights Department, as well as to make payments to the IMF itself. All SDRs allocated to Canada by the IMF have either been used to settle subscriptions in the IMF, or have been advanced to the Exchange Fund Account.

There was no allocation of SDRs by the IMF to Canada during the year. In 1985-86, payments and other charges consisted of a valuation adjustment of \$182 million.

# SUPPLEMENTARY STATEMENT

## Exchange Fund Account

### AUDITOR'S REPORT

THE HONOURABLE MICHAEL WILSON, P.C., M.P.  
MINISTER OF FINANCE

I have made an examination with respect to reporting on the Exchange Fund Account's compliance with the accounting and financial reporting requirements of subsections 16.(1) and 16.(2) of the Currency Act, R.S., c. C-39, as amended, for the year ended December 31, 1985. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the Exchange Fund Account for the year ended December 31, 1985 was in compliance with the accounting and financial reporting requirements of subsections 16.(1) and 16.(2) of the Currency Act, R.S., c. C-39, as amended, applied on a basis consistent with that of the preceding year.

Pursuant to paragraph 16.(1) (c) of the Currency Act (the Act), you have determined that gold shall be recorded at 35 Special Drawing Rights per fine ounce, as outlined in Note 6

to the financial statements. The Act does not prescribe the method of translation to be used to express gold in Canadian dollars in the financial statements. In the absence of specific direction in the Act, and in keeping with the method of translation prescribed in the Act for certain other assets denominated in foreign currencies, the value of gold has been translated at the current rate of exchange. This valuation method, which does not represent either the historical cost or the current market value of the gold holdings, is subject to fluctuations corresponding to changes in the exchange rate between Special Drawing Rights and the Canadian dollar. As a result, the net valuation losses of \$635.5 million for the year ended December 31, 1985 included an unrealized valuation gain on gold holdings of \$169 million attributable to the change in the value of Special Drawing Rights from the previous year end. For the year ended December 31, 1984, the net valuation gains included an unrealized loss on gold holdings of \$5 million.

Kenneth M. Dye, F.C.A.  
Auditor General of Canada

Ottawa, Canada  
April 17, 1986

### BALANCE SHEET AS AT DECEMBER 31, 1985 (in millions of dollars)

ASSETS	1985		1984		LIABILITIES	1985		1984	
	US	Cdn	US	Cdn		Cdn		Cdn	
Denominated in US dollars					Due to the Consolidated Revenue Fund				
Cash and short-term deposits .....	645.4	902.5	236.6	312.7	Advances (Note 9) .....	3,903.4		2,311.8	
Securities (Note 3) .....	692.1	967.8	943.9	1,247.6	Net income for the year .....	51.4		414.0	
	1,337.5	1,870.3	1,180.5	1,560.3					
Denominated in other foreign currencies									
Cash and short-term deposits .....	21.7	30.3	28.5	37.6					
Denominated in Special Drawing Rights									
Special Drawing Rights (Note 4) ....	219.7	307.2	73.1	96.6					
International Monetary Fund notes (Note 5) .....	185.6	259.5	171.0	226.1					
Gold (Note 6) .....	773.1	1,081.0	690.9	913.1					
	1,178.4	1,647.7	935.0	1,235.8					
Official international reserve assets (Note 7) .....	2,537.6	3,548.3	2,144.0	2,833.7					
Denominated in Canadian dollars									
Cash .....		0.6		0.3					
Provision for valuation gains (losses) on uncompleted contracts (Note 8) ..		2.6		(17.9)					
Deferred net valuation losses (gains) ..		403.3		(90.3)					
		3,954.8		2,725.8					
						3,954.8		2,725.8	

Approved:

G. K. BOUEY  
Governor  
Bank of Canada

W. E. ALEXANDER  
Chief, International Department  
Bank of Canada

STANLEY H. HARTT  
Deputy Minister  
Department of Finance

## Exchange Fund Account—Continued

STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 1985  
(in millions of Canadian dollars)

	1985	1984
Investment income		
Cash and short-term deposits .....	42.0	68.6
US dollar securities .....	118.2	149.7
Special Drawing Rights .....	8.8	6.5
International Monetary Fund notes .....	22.9	27.0
Gold loans .....	1.4	0.1
	193.3	251.9
Net valuation losses and gains		
(Losses) gains during the year (Note 10) .....	(635.5)	61.0
Gains deferred from previous years .....	90.3	191.4
Losses (gains) deferred to subsequent years .....	403.3	(90.3)
	(141.9)	162.1
Net income for the year, due to the Consolidated Revenue Fund .....	51.4	414.0

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1985

## 1. Authority and objective

The Account is governed by Part II of the Currency Act, R.S., c.C-39, as amended (the Act). The Account is in the name of the Minister of Finance and is administered by the Bank of Canada as fiscal agent. The Account is funded by advances from the Consolidated Revenue Fund (CRF) which are limited to Cdn \$10 billion by Order in Council dated March 1, 1979 and are not subject to interest. The net income for the year due to the CRF is payable within three months after the end of the year.

The main objective of the Account is to aid in the control and protection of the external value of the Canadian dollar and the Minister acquires for the Account those assets which are deemed appropriate for this purpose in accordance with the Act.

## 2. Accounting policies

## Valuation of assets

US dollar securities, Special Drawing Rights (SDRs) and International Monetary Fund (IMF) notes are adjusted for amortized premiums and discounts where applicable, and include accrued interest. Gold includes gold loans and accrued interest on gold loans. Under the Currency Act, the Minister of Finance determines the gold valuation policy of the Account (Note 6). Cash and short-term deposits include accrued interest where applicable.

## Translation of foreign currencies and SDRs

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates in the Canadian foreign exchange market. Assets and liabilities denominated in SDRs are first translated into US dollars at the year-end US dollar value of the SDR, as calculated by the IMF, and then into

Canadian dollars. Investment income in foreign currencies is translated into Canadian dollars at the foreign exchange rates prevailing on the date the income is recorded. The assets and liabilities denominated in foreign currencies and SDRs have been translated into Canadian dollars at the following year-end exchange rates:

	1985	1984
US dollar .....	1.3983	1.3217
Japanese yen .....	0.006993	0.005248
Swiss franc .....	0.6803	0.5078
Special Drawing Right .....	1.53592	1.29554
Deutsche mark .....	0.5730	0.4187

## Investment income

Investment income is recorded on an accrual basis and includes interest earned, amortization of premiums and discounts, and gains and losses on the sale of securities.

## Valuation gains and losses

Valuation gains and losses include the increases and decreases in the value of assets and liabilities arising from the translation of foreign currencies and SDRs during the year and at year end. Valuation gains and losses also include gains or losses on transactions in foreign currencies, SDRs and gold, and on the liquidation of liabilities. In accordance with the provisions of the Act, valuation gains and losses for the year are taken into income in three equal portions over the current and two succeeding years.

## Operating expenses

The Bank of Canada provides, without charge, the administrative, custodial and fiscal agency services to carry out the objectives of the Account.

## 3. Securities denominated in US dollars

	1985	1984
	(in millions of US dollars)	
US Government treasury bills .....	581.7	843.9
International Bank for Reconstruction and Development bonds .....	106.0	95.0
Accrued interest .....	4.4	5.0
	692.1	943.9

## Estimated market value at year end:

1985—US \$693 million (Cdn \$969 million)

1984—US \$944 million (Cdn \$1,248 million)

## 4. Special Drawing Rights

	1985	1984
	(in millions of SDRs)	
Held at end of the year .....	198.4	73.7
Accrued interest .....	1.6	0.9
	200.0	74.6
	(in millions of US dollars)	
Held at end of the year .....	217.9	72.2
Accrued interest .....	1.8	0.9
	219.7	73.1

## Exchange Fund Account—Concluded

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1985—Concluded

#### 5. International Monetary Fund notes

	1985	1984
	(in millions of SDRs)	
Supplementary Financing Facility notes .....	160.9	164.2
Accrued interest .....	8.0	10.3
	<u>168.9</u>	<u>174.5</u>
	(in millions of US dollars)	
Notes .....	176.8	160.9
Accrued interest .....	8.8	10.1
	<u>185.6</u>	<u>171.0</u>

These notes represent Canada's participation in the Supplementary Financing Facility established to assist members of the IMF with balance of payments needs. The notes were acquired in 1980, 1983 and 1984 and have original terms to maturity of five years. They are redeemable on demand if Canada represents that it has a balance of payments need and are transferable to other members.

#### 6. Gold

	1985	1984
	(in thousands of fine ounces)	
Held at beginning of the year .....	20,137	20,170
Sales .....	31	33
Held at end of the year .....	<u>20,106</u>	<u>20,137</u>
	(in millions of US dollars)	
Gold and gold loans .....	773.0	690.9
Accrued interest on gold loans .....	0.1	
	<u>773.1</u>	<u>690.9</u>

Gold is recorded at 35 SDRs (US \$38.44; 1984—US \$34.31) per fine ounce. During the year, the market price of gold, as recorded at the London fixings, ranged from a low of US \$284.25 (1984—US \$303.25) per fine ounce to a high of US \$340.90 (1984—US \$406.85) and closed at US \$327.00 (1984—US \$309.00).

The Minister of Finance has authorized loans and/or sales, at market related prices, of part of the gold held by the Account, to the Royal Canadian Mint and others. At year end, the Account's gold holdings included gold loans of 1,174 thousand (1984—88 thousand) fine ounces.

#### 7. Official international reserve assets

The Account is the principal repository of Canada's official international reserves. The remainder of Canada's international reserves are held by the Bank of Canada and the CRF and are not reflected in the statements of the Account.

#### 8. Provision for valuation gains (losses) on uncompleted contracts

At year end, the Account had uncompleted foreign exchange transactions and swaps.

As the exchange rates on these uncompleted contracts differ from the year-end rates at which the Account's assets and liabilities are valued, additional valuation gains or losses will occur upon settlement. The provision for valuation gains (losses) on uncompleted contracts arises from the revaluation of such contracts using the year-end rates of exchange and represents the portion of future net gains or losses attributed to the current year.

Under the swap arrangements with the Bank of Canada, the Account sells US dollars to the Bank and agrees to repurchase these amounts at the same exchange rates at which they were sold. These contracts are undertaken to assist in the Bank's management of chartered banks' cash reserves. There were no outstanding swaps with the Bank of Canada at year end (1984—US \$370 million; Cdn \$488 million).

#### 9. Due to the Consolidated Revenue Fund—Advances

	1985		1984	
	(in millions)			
	Amount	Cdn \$	Amount	Cdn \$
Foreign currencies and SDRs				
US dollars .....	4,950	6,921.6	2,400	3,172.1
Japanese yen .....	262,300	1,834.3	190,000	997.3
Swiss francs .....	1,676	1,140.2	2,186	1,110.1
SDRs .....	383	588.7	383	496.6
Deutsche marks .....	200	114.6	200	83.7
		10,599.4		5,859.8
Less: Canadian dollar deposit with the Receiver General for Canada.....		6,696.0		3,548.0
		3,903.4		2,311.8

The proceeds of Canada's borrowings in foreign currency and the IMF allocations of SDRs have been advanced in foreign currency and SDRs from the CRF to the Account. The borrowings include foreign bond and note issues and bank loans, as well as borrowings under Stand-by Credit Arrangements with Canadian and foreign banks. Redemptions of such borrowings are made using the resources of the Account. Interest payable by Canada on borrowings in foreign currencies is charged directly to the CRF.

#### 10. Net valuation losses (gains) during the year

	1985			1984	
	Assets	Liabilities	Total	Total	
	(in millions of Canadian dollars)				
Japanese yen .....	(7.6)	330.8	323.2	(22.7)	
Swiss francs .....	10.9	279.2	290.1	(92.2)	
Gold .....	(169.3)		(169.3)	5.1	
US dollars .....	(84.0)	226.2	142.2	68.4	
Deutsche marks .....	0.3	30.9	31.2	(4.2)	
Special Drawing Rights .....	(61.9)	92.1	30.2	(1.5)	
	<u>(311.6)</u>	<u>959.2</u>	<u>647.6</u>	<u>(47.1)</u>	
Gain on gold sales .....			(12.1)	(13.9)	
Net valuation losses (gains) during the year .....				<u>635.5</u>	<u>(61.0)</u>



# SECTION 12

## 1985-86 PUBLIC ACCOUNTS

### Unmatured Debt

#### CONTENTS

	<i>Page</i>
Marketable bonds .....	12.2
Canada savings bonds .....	12.7
Special non-marketable bonds .....	12.8
Treasury bills .....	12.8
Notes and loans .....	12.9
Supplementary statements—	
Interest rates .....	12.11
Maturity of Government debt .....	12.12
Statement of all borrowing transactions on behalf of Her Majesty .....	12.12

## UNMATURED DEBT

Unmatured debt represents financial obligations resulting from certificates of indebtedness issued by the Government of Canada that have not yet become due.

The Government's holdings of its own securities have been deducted from unmatured debt, to report the amount of the Government's liabilities to outside parties.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as issues and retirements. In addition, the term "account(s) without current transactions" has been included in some tables, to show the net result of transactions in accounts which were closed out in the previous year.

TABLE 12.1

### UNMATURED DEBT

	April 1/1985 \$	Issues \$	Retirements \$	March 31/1986 \$	Net increase or decrease (-)	
					1986 \$	1985 \$
Payable in Canadian currency—						
Marketable bonds, Table 12.2 .....	69,256,215,000	18,676,926,000	6,866,344,000	81,066,797,000	11,810,582,000	12,445,314,000
Canada savings bonds, Table 12.3 .....	41,959,430,456	15,116,504,735	12,831,300,191	44,244,635,000	2,285,204,544	3,755,103,356
Special non-marketable bonds issued to the Canada Pension Plan Investment Fund, Table 12.4 .....	205,337,000	239,955,000	102,000	445,190,000	239,853,000	16,661,000
Treasury bills, Table 12.5 .....	52,300,000,000	159,200,000,000	149,550,000,000	61,950,000,000	9,650,000,000	10,600,000,000
Notes and loans, Table 12.6 .....	100,000,000		100,000,000		- 100,000,000	- 50,000,000
	163,820,982,456	193,233,385,735	169,347,746,191	187,706,622,000	23,885,639,544	26,767,078,356
Less: Government's holdings of unmatured debt—						
Marketable bonds .....	41,991,758	134,560,857	4,155,796	172,396,819	130,405,061	- 121,984,088
Canada savings bonds held on account of employees .....	198,511,300	180,000,000	198,511,300	180,000,000	- 18,511,300	48,519,000
Special non-marketable bonds issued to the Canada Pension Plan Investment Fund....	205,337,000	239,955,000	102,000	445,190,000	239,853,000	16,661,000
	445,840,058	554,515,857	202,769,096	797,586,819	351,746,761	- 56,804,088
	163,375,142,398	192,678,869,878	169,144,977,095	186,909,035,181	23,533,892,783	26,823,882,444
Payable in foreign currencies—						
Marketable bonds, Table 12.2 .....	2,116,816,800	4,128,825,280	355,753,760	5,889,888,320	3,773,071,520	- 65,892,760
Notes and loans, Table 12.6 .....	6,959,502,750	7,620,271,550	6,658,904,500	7,920,869,800	961,367,050	3,036,892,750
	9,076,319,550	11,749,096,830	7,014,658,260	13,810,758,120	4,734,438,570	2,970,999,990
Less: Government's holdings of unmatured debt—						
Marketable bonds .....	19,972,000	24,603,000	19,040,400	25,534,600	5,562,600	68,600
	9,056,347,550	11,724,493,830	6,995,617,860	13,785,223,520	4,728,875,970	2,970,931,390
Total unmatured debt .....	172,431,489,948	204,403,363,708	176,140,594,955	200,694,258,701	28,262,768,753	29,794,813,834

Note: this table includes unmatured debt issued by the Government of Canada. Borrowings of agent Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 12.10.

## Marketable Bonds

Marketable bonds are interest-bearing certificates of indebtedness issued by the Government of Canada, and have the following characteristics:

- bought and sold on the open market;
- payable in Canadian or foreign currency;
- subject to call or redemption before maturity;
- fixed dates of maturity;
- interest payable either in coupon or registered form; and,
- face value guaranteed at maturity.

Registered marketable bonds are transferable by endorsement and delivery by one holder to another. Bearer marketable bonds need not be endorsed.

Table 12.2 presents a summary of the balances and transactions for marketable bonds. Since most of the marketable bonds are not subject to call or redemption before maturity, exceptions only are noted in the table.

The year-end balances of marketable bonds payable in foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 1986.

TABLE 12.2

## MARKETABLE BONDS

Maturity date	%	Issue date	Series	April 1/1985	Issues <sup>(1)</sup>	Retirements <sup>(1)</sup>	March 31/1986	Net increase or decrease ( - )	
								1986	1985
				\$	\$	\$	\$	\$	\$
Payable in Canadian currency—									
Matured 1985-86									
1985—May 1	13	May 1/80-Dec 1/80							
		Dec 22/80	J40	15,653,000		15,653,000		- 15,653,000	- 1,783,170,000
June 6	9½	June 6/83	H4	300,000,000		300,000,000		- 300,000,000	
July 1	11½	June 1/80	J44	450,000,000		450,000,000		- 450,000,000	
Sept 1	14½	July 1/82	J83	350,000,000		350,000,000		- 350,000,000	
Sept 6	10½	Sept 1/82	J86	200,000,000		200,000,000		- 200,000,000	
Oct 1	9½	Sept 6/83	H7	300,000,000		300,000,000		- 300,000,000	
Oct 1	10½	Oct 1/80	F96	1,345,000		1,345,000		- 1,345,000	
		Aug 1/80-Nov 22/82							
		Dec 15/82	J46	850,000,000		850,000,000		- 850,000,000	
Oct 1	12½	Oct 15/82	J89	150,000,000		150,000,000		- 150,000,000	
Dec 6	9½	Dec 6/83	H13	350,000,000		350,000,000		- 350,000,000	
Dec 15	8	Dec 15/75-Oct 1/78	F57	116,479,000		116,479,000		- 116,479,000	
Dec 15	9½	Feb 1/83-May 15/83	J97	275,000,000		275,000,000		- 275,000,000	
1986—Feb 1	12½	Feb 1/81	J55	724,583,000		724,583,000		- 724,583,000	- 417,000
Mar 6	10½	Mar 6/84	H16	350,000,000		350,000,000		- 350,000,000	
Mar 15	10	Feb 22/83-Mar 15/83							
		Apr 27/83-Oct 15/83							
		Nov 8/83	H1	625,000,000		625,000,000		- 625,000,000	
				5,058,060,000		5,058,060,000		- 5,058,060,000	- 1,783,587,000
Maturing 1986-87									
1986—May 1	14½	May 1/81	J61 <sup>(2)</sup>	498,945,000		489,462,000	9,483,000	- 489,462,000	- 644,000
June 1	15½	June 1/81-July 31/81	J64 <sup>(2)</sup>	816,308,000		811,112,000	5,196,000	- 811,112,000	- 622,000
June 6	13	June 6/84	H28	375,000,000			375,000,000		375,000,000
July 1	14½	July 1/81	J68 <sup>(2)</sup>	438,765,000		412,272,000	26,493,000	- 412,272,000	- 1,520,000
Sept 5	12½	Sept 5/84	H37	400,000,000			400,000,000		400,000,000
Oct 1	8	Oct 1/69-Feb 15/70							
		Apr 1/77	F47	410,380,000			410,380,000		
Oct 1	18	Oct 15/81	J72 <sup>(2)</sup>	300,199,000		32,473,000	267,726,000	- 32,473,000	- 17,465,000
Dec 5	10½	Dec 5/84	H46	450,000,000			450,000,000		450,000,000
Dec 15	10	Dec 15/83-Feb 1/84	H14	200,000,000			200,000,000		
1987—Feb 1	15½	Feb 1/82-Aug 1/82	J75 <sup>(2)</sup>	1,144,196,000		44,648,000	1,099,548,000	- 44,648,000	- 29,373,000
Mar 5	12	Mar 26/85	H55	400,000,000			400,000,000		400,000,000
Mar 15	15	Mar 31/82-May 1/82	J78	800,000,000			800,000,000		
				6,233,793,000		1,789,967,000	4,443,826,000	- 1,789,967,000	1,575,376,000
Maturing 1987-88									
1987—May 1	12½	May 8/84-Aug 22/84							
		Sept 12/84-Oct 1/84	H23	650,000,000			650,000,000		650,000,000
June 1	13	June 1/84-June 19/84							
		July 11/84	H27	375,000,000			375,000,000		375,000,000
June 1	14½	June 1/82	J81	250,000,000			250,000,000		
June 6	10	June 6/85	H59		450,000,000		450,000,000	450,000,000	
July 1	8½	July 1/77-Sept 1/77							
		Dec 15/77	J11	525,000,000			525,000,000		
July 1	15	July 1/82	J84 <sup>(2)</sup>	399,964,000		208,000	399,756,000	- 208,000	- 30,000
Sept 1	13½	Aug 1/84	H31	150,000,000			150,000,000		150,000,000
Sept 1	14½	Sept 1/82	J87 <sup>(2)</sup>	649,950,000		18,109,000	631,841,000	- 18,109,000	- 30,000
Sept 6	9½	Sept 6/85	H66		500,000,000		500,000,000	500,000,000	
Oct 15	13	Oct 15/82	J90	450,000,000			450,000,000		
Nov 15	12	Nov 1/82-Apr 1/84							
		Oct 24/84	J92	475,000,000			475,000,000		275,000,000
Dec 1	8	Dec 1/80	F79	7,000			7,000		
Dec 6	9½	Dec 6/85	H71		500,000,000		500,000,000	500,000,000	
Dec 15	11	Dec 15/82-Aug 1/83							
		Sept 1/83-Dec 15/84	J96	900,000,000			900,000,000		125,000,000
1988—Feb 1	8½	Feb 1/78	J15	125,000,000			125,000,000		
Feb 1	10½	Feb 1/83-Apr 27/83	J98	500,000,000			500,000,000		
Feb 1	11½	Nov 14/84-Mar 19/85							
		Apr 10/85	H45	250,000,000	100,000,000		350,000,000	100,000,000	250,000,000
Mar 6	9½	Mar 6/86	H78		550,000,000		550,000,000	550,000,000	
Mar 15	10½	Feb 22/83-Mar 15/83							
		July 12/83-Feb 1/85							
		Feb 19/85	H2	875,000,000			875,000,000		250,000,000
				6,574,921,000	2,100,000,000	18,317,000	8,656,604,000	2,081,683,000	2,074,940,000
Maturing 1988-89									
1988—June 1	5	June 1/63	AT21	100,000,000			100,000,000		
June 1	5	Feb 1/64	CT9	50,000,000			50,000,000		
Oct 15	10½	Oct 15/83-Nov 8/83							
		Dec 15/83-May 1/85							
		May 22/85	H11	625,000,000	200,000,000		825,000,000	200,000,000	

TABLE 12.2

## MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	April 1/1985	Issues <sup>(1)</sup>	Retirements <sup>(1)</sup>	March 31/1986	Net increase or decrease (—)	
								1986	1985
				\$	\$	\$	\$	\$	\$
	Nov 15	10	July 23/85-Sept 1/85						
			Oct 1/85-Oct 23/85 .....	H64	625,000,000		625,000,000	625,000,000	
	Dec 15	9½	Nov 15/85-Feb 6/86 .....	H69	475,000,000		475,000,000	475,000,000	
			Mar 15/86 .....	H61			150,000,000		
1989—	Feb 15	6¾	Feb 15/71 .....	H15	150,000,000		200,000,000		
	Feb 15	11	Feb 21/84 .....		200,000,000				
	Mar 15	12½	Apr 1/84-May 1/84 .....	H20	575,000,000		575,000,000		575,000,000
			Aug 22/84-Sept 12/84 ..		1,700,000,000	1,300,000,000	3,000,000,000	1,300,000,000	575,000,000
Maturing 1989-90									
1989—	Apr 15	9¼	Dec 15/85 .....	H72	150,000,000		150,000,000	150,000,000	
	June 1	13¼	June 1/84-June 19/84 ..						
			July 11/84 .....	H24	525,000,000		525,000,000		525,000,000
	July 1	13½	Aug 1/84 .....	H32	150,000,000		442,320,000		150,000,000
	Aug 1	13¾	Mar 1/81 .....	J58	442,320,000				395,900,000
	Oct 1	10	Aug 15/79-June 12/85 ..	J26	200,000,000	250,000,000	450,000,000	250,000,000	
			July 1/85 .....						
	Oct 1	10½	Oct 1/79-July 1/80 .....	J29	775,000,000		775,000,000		
			May 15/83-June 21/83 ..	J49	400,000,000		350,000,000		350,000,000
	Nov 1	10¾	Jan 7/85 .....	H49	350,000,000		325,000,000		325,000,000
	Nov 1	12¼	Oct 1/84-Oct 24/84 .....	H40	325,000,000				
	Dec 15	11¼	Dec 15/79-Feb 1/80 .....						
			June 1/80-Aug 1/80 .....						
			Sept 27/83-Feb 1/84 .....	J33	1,075,000,000		1,075,000,000		
			Mar 13/84 .....	H43	400,000,000		592,912,000		400,000,000
			Nov 14/84-Mar 19/85 ..	J60	592,912,000		500,000,000	500,000,000	592,270,000
1990—	Feb 1	12	Mar 31/81 .....	H77	500,000,000		839,453,000	500,000,000	822,954,000
	Feb 1	13¼	Feb 26/86 .....	J38	839,453,000		6,574,685,000	900,000,000	3,561,124,000
	Feb 26	10			900,000,000				
	Mar 15	13¾							
Maturing 1990-91									
1990—	May 1	5¼	May 1/64-July 1/64 .....	CT12	225,000,000		225,000,000		
			Sept 1/65 .....	F12	125,000,000		125,000,000		
	May 1	5¼	Apr 1/67 .....	J41	1,784,347,000	75,000	1,784,422,000	75,000	1,783,170,000
	May 1	13	May 1/80 .....	H56		150,000,000	150,000,000		
	June 1	11¼	Apr 10/85 .....						
	Sept 1	10¾	July 12/83-Feb 1/85 .....	H5	550,000,000		550,000,000		450,000,000
			Feb 19/85 .....						
	Oct 1	10½	Aug 15/85-Oct 1/85 .....	H65	1,100,000,000		1,100,000,000	1,100,000,000	
			Oct 23/85 .....	J49	10,000		22,539,000	10,000	11,982,000
	Oct 1	12½	Oct 1/80 .....	H70	22,529,000	375,000,000	375,000,000		
	Dec 15	10¼	Nov 15/85 .....	J56	417,000	718,557,000	718,974,000	718,557,000	417,000
1991—	Feb 1	12½	Feb 1/81 .....	H73	375,000,000		375,000,000	375,000,000	
	Mar 1	9¼	Dec 15/85 .....		2,707,293,000	2,718,642,000	5,425,935,000	2,718,642,000	2,245,569,000
Maturing 1991-92									
1991—	May 1	9¼	Feb 6/86-Mar 15/86 .....	H75	625,000,000		625,000,000	625,000,000	
	May 1	14½	May 1/81 .....	J62	489,462,000		490,517,000	489,462,000	644,000
	June 1	11	May 1/85-May 22/85 ..	H57	425,000,000		425,000,000	425,000,000	
	Oct 1	18	Oct 15/81 .....	J73	99,801,000	32,473,000	132,274,000	32,473,000	17,465,000
	Dec 15	11½	Dec 15/84 .....	H47	225,000,000		225,000,000		225,000,000
1992—	Feb 1	15½	Feb 1/82 .....	J76	105,804,000	44,648,000	150,452,000	44,648,000	29,373,000
					431,660,000	1,616,583,000	2,048,243,000	1,616,583,000	272,482,000
Maturing 1992-93									
1992—	June 1	10¼	June 12/85-July 1/85 .....	H61	750,000,000		750,000,000	750,000,000	
			July 23/85-Sept 1/85 .....	J82	200,000,000		200,000,000		
	June 1	15	June 1/82 .....	J85	36,000	208,000	244,000	208,000	30,000
	July 1	15	July 1/82 .....						
	Sept 1	5¼	Sept 1/66-Dec 15/66 .....	F6	225,000,000		225,000,000		
			Feb 1/67 .....	J88	50,000	18,109,000	18,159,000	18,109,000	30,000
	Sept 1	14¼	Sept 1/82 .....	J91	400,000,000		400,000,000		
	Oct 15	13½	Oct 15/82 .....	J93	500,000,000		500,000,000		
	Nov 15	12¾	Nov 1/82 .....						
	Dec 15	11¼	Nov 22/82-Dec 15/82 ..	J95	2,050,000,000		2,050,000,000		
			Aug 1/83-Sept 1/83 .....						
1993—	Feb 1	11¼	Feb 1/83-Mar 15/83 .....	J99	1,850,000,000		1,850,000,000		
			Apr 27/83-July 12/83 .....		5,225,086,000	768,317,000	5,993,403,000	768,317,000	60,000



TABLE 12.2

## MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	April 1/1985	Issues <sup>(1)</sup>	Retirements <sup>(1)</sup>	March 31/1986	Net increase or decrease (-)	
								1986	1985
				\$	\$	\$	\$	\$	\$
Maturing 1993-94									
1993—May 1	10¼	May 15/83-June 21/83	H3	1,050,000,000			1,050,000,000		
June 1	15¼	June 1/81	J65	83,692,000	811,112,000		894,804,000	811,112,000	622,000
July 1	14¼	July 1/81	J69	11,235,000	412,272,000		423,507,000	412,272,000	1,520,000
Oct 15	11¼	Sept 27/83-Oct 15/83							
		Feb 1/84							
Dec 15	11½	Nov 8/83-Dec 15/83	H8	1,025,000,000			1,025,000,000		
1994—Mar 1	12	Mar 13/84-Apr 10/85	H12	850,000,000			850,000,000		
			H17	225,000,000	475,000,000		700,000,000	475,000,000	
				3,244,927,000	1,698,384,000		4,943,311,000	1,698,384,000	2,142,000
Maturing 1994-95									
1994—Apr 1	13	Apr 1/84-May 1/84							
		Aug 22/84	H21	1,025,000,000			1,025,000,000		1,025,000,000
May 15	13¼	June 1/84-July 11/84							
		Aug 1/84	H25	1,200,000,000			1,200,000,000		1,200,000,000
June 15	9½	June 15/74-July 1/75							
		Aug 15/75-June 1/76							
		Aug 1/76-Apr 1/77	F85	764,120,000			764,120,000		- 51,194,000
July 15	13½	June 19/84	H29	250,000,000			250,000,000		250,000,000
Oct 1	12¼	Sept 12/84	H39	475,000,000			475,000,000		475,000,000
Dec 1	6¼	Dec 1/67	F23	125,000,000			125,000,000		
Dec 15	12½	Oct 1/84-Oct 24/84	H42	900,000,000			900,000,000		900,000,000
1995—Feb 1	11½	Feb 1/85	H51	375,000,000			375,000,000		375,000,000
Feb 1	12¼	Nov 14/84-Mar 19/85	H44	725,000,000			725,000,000		725,000,000
Mar 1	11¼	Dec 15/84	H48	475,000,000			475,000,000		475,000,000
				6,189,245,000			6,189,245,000		5,373,806,000
Maturing 1995-96									
1995—Apr 1	11¼	Feb 19/85-May 1/85							
		May 22/85	H54	375,000,000	975,000,000		1,350,000,000	975,000,000	375,000,000
June 1	10½	June 12/85-July 1/85							
		July 23/85-Sept 1/85	H62		1,850,000,000		1,850,000,000	1,850,000,000	
Oct 1	6½	Oct 1/68	F33	100,000,000			100,000,000		
Oct 1	10	Oct 1/75-Dec 15/75							
		Feb 1/76-Apr 1/76	F97	709,750,000			709,750,000		- 44,625,000
Dec 15	10¼	Oct 1/85-Oct 23/85							
		Nov 15/85	H67		950,000,000		950,000,000	950,000,000	
1996—Mar 1	10¼	Feb 6/86	H76		350,000,000		350,000,000	350,000,000	
				1,184,750,000	4,125,000,000		5,309,750,000	4,125,000,000	330,375,000
Maturing 1996-97									
1996—Sept 15	3	Sept 15/36	P1	55,000,000			55,000,000		
Maturing 1997-98									
1997—May 15	9¼	May 15/77-July 1/77							
		Sept 1/77-Feb 1/78	J9	1,032,000,000			1,032,000,000		- 42,000,000
1998—Mar 15	3¼	Sept 15/56	T15 <sup>(3)</sup>	197,045,000			197,045,000		
				1,229,045,000			1,229,045,000		- 42,000,000
Maturing 1999-2000									
1999—Oct 15	9	Oct 15/77-Dec 15/77	J13	621,750,000			621,750,000		- 25,375,000
Dec 1	13½	Dec 1/80	J53	400,000,000			400,000,000		
2000—Mar 15	13¼	Mar 31/80-Mar 1/81							
		Mar 31/81-Oct 15/82	J39	1,050,000,000			1,050,000,000		- 25,375,000
				2,071,750,000			2,071,750,000		
Maturing 2000-01									
2000—July 1	15	July 1/81	J70	175,000,000			175,000,000		
Dec 15	9¼	Dec 15/78	J22	550,000,000			550,000,000		- 21,875,000
2001—Feb 1	15¼	June 1/81-July 31/81	J66	425,000,000			425,000,000		
				1,150,000,000			1,150,000,000		- 21,875,000
Maturing 2001-02									
2001—May 1	13	May 1/80-Oct 1/80							
		Feb 1/81	J42	1,325,000,000			1,325,000,000		
Oct 1	9½	Oct 1/76-Dec 1/76							
		Apr 1/78-May 15/78							
		July 1/78	J2	1,411,500,000			1,411,500,000		- 56,875,000
2002—Feb 1	8¼	Feb 1/77	J7	252,000,000			252,000,000		- 10,500,000
Mar 15	15½	Mar 31/82-May 1/82	J79	350,000,000			350,000,000		
				3,338,500,000			3,338,500,000		- 67,375,000

TABLE 12.2

## MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	April 1/1985	Issues <sup>(1)</sup>	Retirements <sup>(1)</sup>	March 31/1986	Net increase or decrease (—)	
								1986	1985
				\$	\$	\$	\$	\$	\$
Maturing 2002-03									
2002—May 1	10	May 1/79-June 1/79							
		July 15/79 .....	J25	1,850,000,000			1,850,000,000		
Dec 15	11½	Dec 15/79-July 1/80							
		May 15/83 .....	J34	1,625,000,000			1,625,000,000		
2003—Feb 1	11½	Feb 1/80-June 1/80							
		Aug 1/80-Feb 1/83							
		Apr 27/83-June 21/83							
		July 12/83 .....	J35	2,700,000,000			2,700,000,000		
				6,175,000,000			6,175,000,000		
Maturing 2003-04									
2003—Oct 1	9½	Aug 15/78-Oct 1/78 .....	J18	787,500,000			787,500,000		— 31,500,000
2004—Feb 1	10½	Feb 1/79-Mar 15/79							
		Mar 21/79-Aug 15/79 ..	J24	2,200,000,000			2,200,000,000		
				2,987,500,000			2,987,500,000		— 31,500,000
Maturing 2004-05									
2004—June 1	13½	Apr 1/84-May 1/84 .....	H22	550,000,000			550,000,000		550,000,000
Oct 1	10½	Oct 1/79 .....	J30	600,000,000			600,000,000		
2005—Mar 1	12	Oct 15/83-Nov 8/83							
		Dec 15/83-Feb 1/84							
		Feb 21/84-Dec 15/84 ....	H9	1,775,000,000			1,775,000,000		375,000,000
				2,925,000,000			2,925,000,000		925,000,000
Maturing 2005-06									
2005—Sept 1	12½	Aug 1/83-Sept 1/83							
		Sept 27/83-Apr 10/85....	H6	1,000,000,000	375,000,000		1,375,000,000	375,000,000	
2006—Mar 1	12½	Mar 13/84-Nov 14/84							
		Mar 19/85 .....	H18	975,000,000			975,000,000		725,000,000
				1,975,000,000	375,000,000		2,350,000,000	375,000,000	725,000,000
Maturing 2006-07									
2006—Oct 1	14	June 1/84-July 11/84							
		Aug 1/84 .....	H26	1,025,000,000			1,025,000,000		1,025,000,000
2007—Mar 1	13½	June 19/84 .....	H30	325,000,000			325,000,000		325,000,000
				1,350,000,000			1,350,000,000		1,350,000,000
Maturing 2007-08									
2007—Oct 1	13	Aug 22/84-Sept 12/84 ..	H36	700,000,000			700,000,000		700,000,000
2008—Mar 1	12½	Oct 1/84-Oct 24/84 .....	H41	750,000,000			750,000,000		750,000,000
				1,450,000,000			1,450,000,000		1,450,000,000
Maturing 2008-09									
2008—June 1	10	Dec 15/85 .....	H74		325,000,000		325,000,000	325,000,000	
Oct 1	11½	Feb 1/85-May 1/85 .....	H52	325,000,000	400,000,000		725,000,000	400,000,000	325,000,000
2009—Mar 1	11½	May 22/85 .....	H58		400,000,000		400,000,000	400,000,000	
				325,000,000	1,125,000,000		1,450,000,000	1,125,000,000	325,000,000
Maturing 2009-10									
2009—June 1	11	Oct 1/85-Oct 23/85 .....	H68		625,000,000		625,000,000	625,000,000	
Oct 1	10½	June 12/85-July 1/85							
		Sept 1/85 .....	H63		1,000,000,000		1,000,000,000	1,000,000,000	
2010—Mar 1	9½	Mar 15/86 .....	H79		325,000,000		325,000,000	325,000,000	
					1,950,000,000		1,950,000,000	1,950,000,000	
Accounts without current transactions .....									— 6,368,848,000
Total marketable bonds (Canadian currency) .....				69,256,215,000	18,676,926,000	6,866,344,000	81,066,797,000	11,810,582,000	12,445,314,000
Payable in foreign currencies—									
United States dollars—									
		1985—Oct 1	8.2	Apr 1/78 .....	340,900,000		340,900,000	— 340,900,000	21,875,000
		1986—Nov 3	16½	Nov 3/81 .....	409,080,000	9,660,000	418,740,000	9,660,000	26,250,000
(3)		1987—Oct 15	5	Oct 15/62 .....	65,452,800	1,494,080	64,765,120	— 687,680	2,158,240
(3)		1988—June 1	6½	June 1/68 .....	136,360,000		139,580,000	3,220,000	8,750,000
		1989—July 15	9½	July 15/85 .....		628,110,000	628,110,000	628,110,000	
		1995—July 15	10½	July 15/85 .....		628,110,000	628,110,000	628,110,000	
		Nov 21	10	Nov 21/85 .....		697,900,000	697,900,000	697,900,000	
		1996—Feb 27	9	Feb 27/86 .....		1,395,800,000	1,395,800,000	1,395,800,000	
(3)		1998—Apr 1	8½	Apr 1/78 .....	340,900,000	8,050,000	348,950,000	8,050,000	21,875,000
(3)		Oct 15	9½	Oct 15/78 .....	477,260,000	11,270,000	488,530,000	11,270,000	30,625,000
					1,769,952,800	3,383,614,080	343,081,760	4,810,485,120	111,533,240

TABLE 12.2

## MARKETABLE BONDS—Concluded

Maturity date	%	Issue date	Series	April 1/1985	Issues <sup>(1)</sup>	Retirements <sup>(1)</sup>	March 31/1986	Net increase or decrease (–)	
								1986	1985
				\$	\$	\$	\$	\$	\$
Deutsche marks— 1989—Apr 30	8½	Apr 30/82		89,200,000	29,880,000		119,080,000	29,880,000	– 9,580,000
Swiss francs— (3) 1989—Mar 20	3½	Mar 20/79		152,064,000	49,051,200	12,672,000	188,443,200	36,379,200	– 26,496,000
1992—May 10	5¼	May 10/84		105,600,000	37,160,000		142,760,000	37,160,000	105,600,000
				257,664,000	86,211,200	12,672,000	331,203,200	73,539,200	79,104,000
Japanese yen— 1991—Feb 20	6½	Feb 20/86			629,120,000		629,120,000	629,120,000	
Account without current transactions									– 246,950,000
Total marketable bonds (foreign currencies)				2,116,816,800	4,128,825,280	355,753,760	5,889,888,320	3,773,071,520	– 65,892,760
Total				71,373,031,800	22,805,751,280	7,222,097,760	86,956,685,320	15,583,653,520	12,379,421,240

<sup>(1)</sup> Issues and retirements of the marketable bonds payable in foreign currencies include the translation of these currencies to Canadian dollars using closing rates of exchange at March 31.

<sup>(2)</sup> Exchangeable at the option of the holder for an equal par value bond bearing the same interest rate.

<sup>(3)</sup> Subject to redemption before maturity.

## Canada Savings Bonds

Canada savings bonds are interest-bearing certificates of indebtedness issued by the Government of Canada, and have the following characteristics:

- issued to Canadian residents;
- issued in Canadian currency only;
- registered in the name of the holder;
- fixed dates of maturity;

—not marketable;

—redeemable on demand by the holder, with accrued interest calculated to the end of the previous month;

—not subject to call before maturity; and,

—term to maturity of seven years or more.

Table 12.3 presents a summary of the balances and transactions for Canada savings bonds.

TABLE 12.3

## CANADA SAVINGS BONDS

Maturity date	%	Issue date	Series	April 1/1985	Issues	Retirements	March 31/1986	Net increase or decrease (–)	
								1986	1985
				\$	\$	\$	\$	\$	\$
1985—Nov 1	11¼	1973-74	S28	263,240,350		263,240,350		– 263,240,350	– 3,664,300
1985—Nov 1	11¼	1976-77	S31	472,325,300		472,325,300		– 472,325,300	– 12,096,350
1985—Nov 1	11¼	1978-79	S33	2,885,177,700		2,885,177,700		– 2,885,177,700	– 178,976,600
1986—Nov 1	11¼-10½	1977-78	S32	400,057,700	16,866,200		383,191,500	– 16,866,200	– 21,014,400
1986—Nov 1	11¼-10½	1979-80	S34	2,020,676,500	93,493,300	1,927,183,200		– 93,493,300	– 147,388,700
1987—Nov 1	11¼-10½	1980-81	S35	1,361,726,200	62,484,500	1,299,241,700		– 62,484,500	– 111,822,400
1988—Nov 1	11¼-10½	1981-82	S36	7,756,059,100	514,438,200	7,241,620,900		– 514,438,200	– 1,249,941,400
1989—Nov 1	11¼-8½-10	1982-83	S37	6,943,298,400	820,180,800	6,123,117,600		– 820,180,800	– 1,870,300,800
1990—Nov 1	11¼-8½-10	1983-84	S38	7,678,844,200	1,115,806,600	6,563,037,600		– 1,115,806,600	– 3,389,519,700
1991—Nov 1	11¼-8½-10	1984-85	S39	12,178,025,006	3,794,746,106	8,383,278,900		– 3,794,746,106	12,178,025,006
1992—Nov 1	8½-10	1985-86	S40		15,116,504,735	2,792,541,135	12,323,963,600	12,323,963,600	
Accounts without current transactions									– 1,438,197,000
Total				41,959,430,456	15,116,504,735	12,831,300,191	44,244,635,000	2,285,204,544	3,755,103,356

## Special Non-Marketable Bonds

Special non-marketable bonds are interest-bearing certificates of indebtedness issued by the Government of Canada exclusively to the Canada Pension Plan Investment Fund, and have the following characteristics:

- not negotiable;
- not transferable;
- not assignable;

- issued in Canadian currency only;
- term to maturity of 20 years or less;
- interest payable semi-annually; and,
- redeemable at face value plus accrued interest.

Table 12.4 presents a summary of the balances and transactions for these special non-marketable bonds.

TABLE 12.4

### SPECIAL NON-MARKETABLE BONDS

	April 1/1985	Issues	Retirements	March 31/1986	Net increase or decrease ( - )	
	\$	\$	\$	\$	1986	1985
Canada Pension Plan Investment Fund—						
Matured 1985-86	102,000		102,000		- 102,000	
Maturing 1986-87	1,792,000			1,792,000		
1987-88	3,814,000			3,814,000		
1988-89	5,607,000			5,607,000		
1989-90	4,059,000			4,059,000		
1990-91	5,447,000			5,447,000		
1991-92	6,540,000			6,540,000		
1992-93	7,112,000			7,112,000		
1993-94	7,907,000			7,907,000		
1994-95	9,087,000			9,087,000		
1995-96	10,217,000			10,217,000		
1996-97	10,651,000			10,651,000		
1997-98	11,351,000			11,351,000		
1998-99	12,015,000			12,015,000		
1999-2000	17,709,000			17,709,000		
2000-01	22,971,000			22,971,000		
2001-02	17,622,000			17,622,000		
2002-03	17,414,000			17,414,000		
2003-04	17,259,000			17,259,000		
2004-05	16,661,000			16,661,000		16,661,000
2005-06		239,955,000		239,955,000	239,955,000	
Total	205,337,000	239,955,000	102,000	445,190,000	239,853,000	16,661,000

## Treasury Bills

Treasury bills are short-term certificates of indebtedness issued by the Government of Canada to pay sums of money on given dates, and have the following characteristics:

- issued at a discount in lieu of interest payments;
- common terms: 3 months, 6 months and 12 months;
- issued in Canadian currency only;
- transferable; and,
- bought and sold on the open market.

Three-month and six-month bills are usually issued weekly, while other bills are issued every two weeks, usually for periods of one year or less.

The balance at March 31, 1986 consists of \$24,750 million in three-month bills; \$25,200 million in six-month bills; and, \$12,000 million in 364-day bills.

Table 12.5 presents a monthly summary of Treasury bill issues and redemptions.



TABLE 12.5  
TREASURY BILL ISSUES AND REDEMPTIONS  
(in millions of dollars)

	Issues				Redemptions				Net change
	3 month bills	6 month bills	Other bills	Total	3 month bills	6 month bills	Other bills	Total	
April, 1985 .....	7,300	4,000	900	12,200	6,600	3,200	800	10,600	1,600
May .....	7,850	3,800	1,350	13,000	7,100	3,300	1,200	11,600	1,400
June .....	7,450	3,900	900	12,250	7,200	3,200	800	11,200	1,050
July .....	7,650	4,000	900	12,550	7,300	3,400	800	11,500	1,050
August .....	9,750	5,000	900	15,650	7,850	4,150	800	12,800	2,850
September .....	8,150	4,450	1,400	14,000	7,450	3,900	800	12,150	1,850
October .....	8,300	4,700	1,900	14,900	7,650	4,000	800	12,450	2,450
November .....	8,500	4,650	1,350	14,500	9,750	3,800	2,650	16,200	- 1,700
December .....	5,650	2,850	900	9,400	8,150	3,900	800	12,850	- 3,450
January, 1986 .....	8,400	4,350	1,000	13,750	10,400	5,000	800	16,200	- 2,450
February .....	8,300	4,350	1,000	13,650	6,400	4,000	700	11,100	2,550
March .....	8,050	4,300	1,000	13,350	5,650	4,450	800	10,900	2,450
Balance at April 1, 1985 .....	95,350	50,350	13,500	159,200	91,500	46,300	11,750	149,550	9,650
Balance at March 31, 1986 .....									52,300
									61,950

Notes and Loans

These accounts record borrowings made under agreements with banks in Canada, United States, Switzerland, Japan and other international banks. They also record the borrowings of Canadair Financial Corporation Inc which were directly assumed by the Government of Canada pursuant to Regional Industrial Expansion Vote 7c, Appropriation Act No. 4, 1984-85.

The balances at March 31, 1986 consist of:

- \$450,000,000 US (\$628,110,000 Cdn) in one-month notes from American banks;
- \$1,150,000,000 US (\$1,605,170,000 Cdn) in one-month notes from Canadian chartered banks;
- \$1,750,000,000 US (\$2,442,650,000 Cdn) five year loans from international banks;
- \$255,000,000 US (\$355,929,000 Cdn) in notes assumed from Canadair Financial Corporation Inc;

- 300,000,000 SF (\$214,140,000 Cdn) three year loan, 700,000,000 SF (\$499,660,000 Cdn) five year loans, and 200,000,000 SF (\$142,760,000 Cdn) six year loan, from Swiss banks; and,
- 200,000,000,000 Yen (\$1,572,800,000 Cdn) eight year loans, 23,450,000,000 Yen (\$184,410,800 Cdn) ten year loan, and 35,000,000,000 Yen (\$275,240,000 Cdn) twenty year loan, from Japanese banks.

The foreign currency balances were translated into Canadian dollars using the year-end closing rates of exchange at March 31, 1986.

Table 12.6 presents a summary of the balances and transactions for the notes and loans.

TABLE 12.6

## NOTES AND LOANS

							Net increase or decrease ( - )	
Maturity date	%	Issue date	April 1/1985	Issues <sup>(1)</sup>	Retirements <sup>(1)</sup>	March 31/1986	1986	1985
			\$	\$	\$	\$	\$	\$
Payable in Canadian currency—								
Debts assumed from Canadair Financial Corporation Inc	various	various .....	100,000,000		100,000,000		- 100,000,000	- 50,000,000
Payable in foreign currencies—								
United States dollars—								
Notes payable to—								
American banks	various	various .....	1,363,600,000	1,971,600,000	2,707,090,000	628,110,000	- 735,490,000	1,363,600,000
Canadian banks	various	various .....	545,440,000	4,300,360,000	3,240,630,000	1,605,170,000	1,059,730,000	35,000,000
Debts assumed from Canadair Financial Corporation Inc	various	various .....	1,016,976,000	8,211,000	669,258,000	355,929,000	- 661,047,000	133,491,000
1987—June 16	14½	June 16/82 ..	1,022,700,000	24,150,000		1,046,850,000	24,150,000	65,625,000
1988—Oct 27	10½	Oct 27/83 ..	681,800,000	16,100,000		697,900,000	16,100,000	43,750,000
1990—Mar 22	11½	Mar 22/85 ..	681,800,000	16,100,000		697,900,000	16,100,000	681,800,000
			5,312,316,000	6,336,521,000	6,616,978,000	5,031,859,000	- 280,457,000	2,323,266,000
Swiss francs—								
1987—Mar 8	7½	Mar 8/82 ...	211,200,000	74,320,000		285,520,000	74,320,000	- 26,880,000
Nov 15	4%	May 15/84 ..	158,400,000	55,740,000		214,140,000	55,740,000	158,400,000
1989—May 3	5%	May 3/84 ....	158,400,000	55,740,000		214,140,000	55,740,000	158,400,000
1990—May 15	5½	May 15/84 ..	105,600,000	37,160,000		142,760,000	37,160,000	105,600,000
			633,600,000	222,960,000		856,560,000	222,960,000	395,520,000
Japanese yen—								
(2) 1989—Feb 19	7.1	Feb 19/79 ...	169,611,750	56,725,550	41,926,500	184,410,800	14,799,050	- 29,328,250
(2) 1992—July 31	7.9	July 31/84 ..	653,400,000	290,280,000		943,680,000	290,280,000	653,400,000
(2) 1993—Nov 27	7	Nov 27/85 ..		629,120,000		629,120,000	629,120,000	
(2) 1999—Feb 19	7½	Feb 19/79 ....	190,575,000	84,665,000		275,240,000	84,665,000	- 8,365,000
			1,013,586,750	1,060,790,550	41,926,500	2,032,450,800	1,018,864,050	615,706,750
Account without current transactions .....								
Total notes and loans (foreign currencies)			6,959,502,750	7,620,271,550	6,658,904,500	7,920,869,800	961,367,050	3,036,892,750
Total .....			7,059,502,750	7,620,271,550	6,758,904,500	7,920,869,800	861,367,050	2,986,892,750

<sup>(1)</sup> Issues and retirements include the translation of foreign currencies to Canadian dollars using closing rates of exchange at March 31.

<sup>(2)</sup> Subject to redemption before maturity.

## SUPPLEMENTARY STATEMENTS

## Interest Rates

Table 12.7 sets out unmatured debt at March 31, for each of the years 1981-82 to 1985-86 inclusive, with the average rate of interest thereon. For purposes of comparison, unmatured

debt is classified as to marketable bonds, non-marketable bonds (include Canada savings bonds and the Canada Pension Plan Investment Fund), Treasury bills, and notes and loans.

TABLE 12.7

UNMATURED DEBT AS AT MARCH 31, FROM 1982 TO 1986, WITH THE AVERAGE RATE OF INTEREST THEREON

	Non-marketable bonds											
	Marketable bonds		Canada savings bonds		Canada Pension Plan Investment Fund		Treasury bills		Notes and loans		Total unmatured debt	
	Amount outstanding	Average interest rate	Amount outstanding	Average interest rate	Amount outstanding	Average interest rate	Amount outstanding	Average interest rate	Amount outstanding	Average interest rate	Amount outstanding	Average interest rate
	\$ (millions)	%	\$ (millions)	%	\$ (millions)	%	\$ (millions)	%	\$ (millions)	%	\$ (millions)	%
1986.....	86,957	11.44	44,244	10.12	445	11.08	61,950	10.13	7,921	9.14	201,517	10.66
1985.....	71,373	11.76	41,960	11.25	205	10.81	52,300	10.89	7,059	9.86	172,897	11.31
1984.....	58,994	11.55	38,204	9.85	189	10.59	41,700	9.94	3,039	10.43	142,126	10.59
1983.....	51,713	11.18	32,641	12.00	171	10.48	29,125	10.15	1,825	10.19	115,475	11.14
1982.....	46,724	10.67	24,978	19.50	154	10.01	19,375	15.61	1,122	5.65	92,353	14.03

Where various rates of interest are applicable, the interest rate in effect at March 31 is used.

Table 12.8 shows the average high and low yields of Treasury bills, at tender, together with the average yield on the latest issues for the years 1981-82 to 1985-86 inclusively.

TABLE 12.8

## TREASURY BILLS AVERAGE YIELDS AT TENDER

Year ended March 31	High	Low	Last issue
	%	%	%
Three-month bills—			
1986.....	11.85	8.52	10.19
1985.....	13.01	9.41	10.40
1984.....	10.53	9.02	10.53
1983.....	16.34	9.13	9.17
1982.....	20.99	14.34	14.86
Six-month bills—			
1986.....	11.59	8.75	10.19
1985.....	13.81	9.49	10.71
1984.....	11.20	8.88	11.00
1983.....	16.82	9.00	9.52
1982.....	21.07	14.18	15.46
Other bills—			
1986.....	10.96	8.38	9.89
1985.....	14.25	9.79	11.63
1984.....	11.67	8.91	11.67
1983.....	17.08	9.10	9.58
1982.....	20.59	14.35	15.61

## Maturity of Government Debt

Table 12.9 presents total unmatured debt arranged in order of maturity.

TABLE 12.9

### MATURITY OF GOVERNMENT DEBT

Maturity	Marketable bonds		Canada savings bonds		Treasury bills		Notes and loans		Total	
	Average interest rate		Average interest rate		Average interest rate		Average interest rate		Average interest rate	
	\$ (millions)	%	\$ (millions)	%	\$ (millions)	%	\$ (millions)	%	\$ (millions)	%
1987 .....	4,863	13.57	2,310	10.50	61,950	10.13	2,519	7.53	71,642	10.29
1988 .....	8,721	11.30	1,299	10.50			1,331	12.95	11,351	11.40
1989 .....	3,328	9.78	7,242	10.50			882	10.09	11,452	10.26
1990 .....	7,322	11.60	6,123	10.00			1,156	10.62	14,601	10.85
1991 .....	6,055	10.68	6,563	10.00			143	5.13	12,761	10.27
1992/96 .....	27,349	11.51	20,707	10.00			1,615	7.56	49,671	10.75
1997/2001 .....	5,343	10.87					275	7.50	5,618	10.71
2002/06 .....	17,776	11.30							17,776	11.30
2007/10 .....	6,200	12.04							6,200	12.04
	86,957	11.44	44,244	10.12	61,950	10.13	7,921	9.14	201,072	10.66
Less: Gov- ernment's own holdings .....	198	9.34	180	10.00					378	9.66
	86,759	11.45	44,064	10.12	61,950	10.13	7,921	9.14	200,694	10.66

Note: this table includes unmatured debt issued by the Government of Canada. Borrowings of agent Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 12.10.

## Statement of all Borrowing Transactions on behalf of Her Majesty

Table 12.10 presents the information required by Section 40 of the Financial Administration Act. The borrowing transactions included in this table are: borrowings by the Government for general purposes, and borrowings by agent Crown corporations which are reported as such on the Government's State-

ment of Assets and Liabilities, except where the Government is the lender. Borrowings by non-agent Crown corporations are not included because such borrowings are not on behalf of Her Majesty.

TABLE 12.10

### STATEMENT OF ALL BORROWING TRANSACTIONS ON BEHALF OF HER MAJESTY (in millions of dollars)

	April 1/1985	Issues/ Borrowings	Retirements	March 31/1986
Unmatured debt of the Government of Canada <sup>(1)</sup> .....	172,432	204,403	176,141	200,694
Borrowings of Crown corporations designated as agents of Her Majesty <sup>(2)</sup> .....	12,864	62,160	60,401	14,623
Total .....	185,296	266,563	236,542	215,317

<sup>(1)</sup> Details can be found in this section.

<sup>(2)</sup> Details can be found in Section 8 (Table 8.8) of this volume.



# SECTION 13

1985-86  
PUBLIC ACCOUNTS

## Other Information Related to the Financial Statements

### CONTENTS

	<i>Page</i>
Other accounts reported on the Statement of Assets and Liabilities—	
Cash in transit .....	13.3
Cash .....	13.3
Fixed assets .....	13.4
Accumulated deficit .....	13.4
Other information—	
Capital leases .....	13.6
Contingent liabilities .....	13.8



## OTHER ACCOUNTS REPORTED ON THE STATEMENT OF ASSETS AND LIABILITIES

This section contains information on accounts reported on the Statement of Assets and Liabilities, which are not included elsewhere in this volume. These accounts are:

- cash in transit;
- cash;
- fixed assets; and,
- accumulated deficit.

### Cash in Transit

Table 13.1 presents a summary of the balances and transactions for cash in transit.

TABLE 13.1

#### CASH IN TRANSIT

	April 1/1985	Credits	Charges	March 31/1986	Net increase or decrease (–)	
					1986	1985
	\$	\$	\$	\$	\$	\$
Cash in hands of collectors and in transit .....	1,799,145,679	1,799,145,679	1,596,313,103	1,596,313,103	– 202,832,576	64,305,422
Moneys received after March 31 but applicable to the current year .....	83,416,166	83,416,166	96,143,963	96,143,963	12,727,797	– 58,219,263
Total .....	1,882,561,845	1,882,561,845	1,692,457,066	1,692,457,066	– 190,104,779	6,086,159

#### Cash in hands of collectors and in transit

This account records public moneys received by public officers prior to April 1, but not deposited to the credit of the Receiver General for Canada in the Bank of Canada, before that date.

#### Moneys received after March 31 but applicable to the current year

Public moneys received after March 31, but applicable to the year just ended, are recorded in this account.

This account includes refunds of old year expenditure received prior to the closing of the accounts, and receipts to be credited to asset, liability, and (in exceptional cases) revenue accounts, where the omission of the credits in the old year would tend to make the accounting incomplete or inconsistent.

### Cash

The Government's cash account represents public moneys on deposit at March 31, to the credit of the Receiver General for Canada, with the Bank of Canada, chartered banks and other financial institutions.

The cash position of the Government is affected not only by budgetary transactions, but also by non-budgetary, foreign exchange and unmatured debt transactions, all of which must be taken into account when considering the full scope of the Government's financial operations.

Table 13.2 presents a summary of the balances and related transactions in current and special Receiver General deposits.

The year-end balances denominated in foreign currencies have been translated into Canadian dollar equivalents at year-end closing rates of exchange. Foreign currencies held include United Kingdom pounds sterling, United States dollars, Belgian, Swiss and French francs, West German marks, and Japanese yen.

TABLE 13.2

#### CASH

	April 1/1985	Receipts	Disbursements	March 31/1986	Net increase or decrease (–)	
					1986	1985
	\$	\$	\$	\$	\$	\$
Receiver General—						
Current deposits—						
Canadian dollars .....	5,778,771,410	321,423,923,551	322,636,813,036	4,565,881,925	– 1,212,889,485	– 550,228,590
Foreign currencies .....	48,771,356	3,477,016,360	3,371,654,030	154,133,686	105,362,330	– 4,812,247
Special deposits .....	30,066,860	1,521,874,708	1,527,683,556	24,258,012	– 5,808,848	354,387
Total .....	5,857,609,626	326,422,814,619	327,536,150,622	4,744,273,623	– 1,113,336,003	– 554,686,450

**Receiver General current deposits**

The monthly balances of Canadian dollar and foreign currency deposits for the last five years are presented in the following tables:

**TABLE 13.3**
**CASH IN CANADIAN DOLLAR DEPOSITS**  
 (in millions of dollars)

At end of month of	Years ended March 31				
	1986	1985	1984	1983	1982
April .....	3,268	3,611	5,483	3,118	3,281
May .....	3,989	3,648	6,997	4,855	3,825
June .....	2,747	2,716	4,787	5,124	2,102
July .....	2,437	2,710	4,737	3,329	5,363
August .....	3,634	1,664	3,191	2,126	4,068
September .....	4,527	2,334	2,699	1,664	3,786
October .....	6,449	2,796	3,643	2,879	3,671
November .....	10,566	5,291	8,522	8,483	11,236
December .....	5,599	3,325	7,300	7,476	7,532
January .....	3,953	4,001	6,892	5,516	7,680
February .....	4,993	5,691	6,460	4,636	6,278
March .....	4,566	5,779	6,329	4,193	6,541

**TABLE 13.4**
**CASH IN FOREIGN CURRENCY DEPOSITS**  
 (translated into Canadian dollars)  
 (in millions of dollars)

At end of month of	Years ended March 31				
	1986	1985	1984	1983	1982
April .....	30	50	16	42	9
May .....	29	34	29	15	16
June .....	37	33	35	33	26
July .....	44	46	31	39	28
August .....	72	44	42	34	21
September .....	72	36	44	24	27
October .....	43	15	42	27	24
November .....	36	27	44	29	17
December .....	90	41	35	48	55
January .....	84	34	22	22	34
February .....	86	24	15	22	34
March .....	154	49	54	28	29

**Receiver General special deposits**

These are balances in the hands of fiscal agents of the Government, for the purchase or redemption of Government securities, and for the payment of interest.

**Fixed Assets**

Fixed assets are tangible, durable items of value, including major additions or alterations thereto, from which benefits are expected to be derived during their useful lives.

The fixed assets of the Government, which include land, engineering structures and works (such as canals, harbours and roads), buildings, and machinery and equipment, are charged to budgetary expenditure at the time of acquisition or construction, in accordance with the accounting policies of the Government of Canada which are described in Note 1 to the audited financial statements (Section 2 of this volume). Their existence, however, is acknowledged on the Statement of Assets and Liabilities by reporting them at the nominal value of \$1.

**Accumulated Deficit**

The accumulated deficit is the account recording the net sum of annual deficits and surpluses of the Government of Canada since Confederation, together with certain amounts charged or credited directly to this account. The accumulated deficit is also equal to the excess of recorded liabilities over net recorded assets.

A Statement of Accumulated Deficit is published in Section 2 of this volume.

A five year comparative statement of the accumulated deficit, in terms of total liabilities and net recorded assets, is presented as follows:

**TABLE 13.5**
**STATEMENT OF ACCUMULATED DEFICIT IN  
 TERMS OF TOTAL LIABILITIES AND NET RECORDED  
 ASSETS**  
 (in millions of dollars)

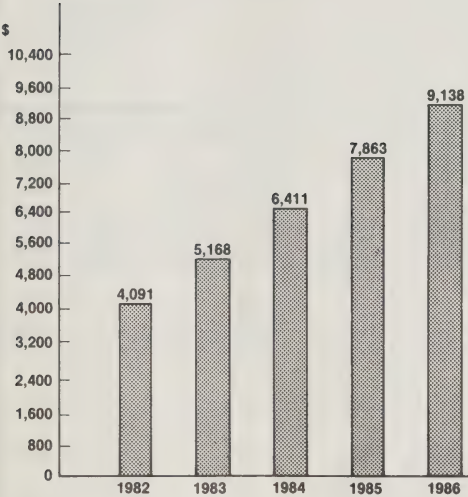
As at March 31	Total liabilities	Less: net recorded assets	Accumulated deficit	
			Amount	Increase or decrease (-)
1986 .....	269,286	35,790	233,496	34,404
1985 .....	237,112	38,020	199,092	38,324
1984 .....	199,497	38,729	160,768	32,399
1983 .....	166,203	37,834	128,369	27,816
1982 .....	137,573	37,020	100,553	14,872



The accumulated deficit, in per capita terms and as a percentage of the gross national product, is shown in the following charts.

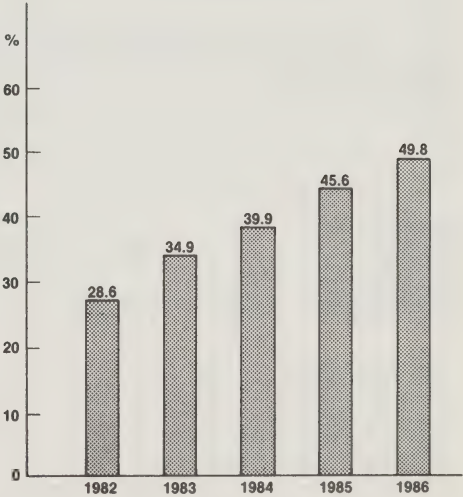
**ACCUMULATED  
DEFICIT**

Per Capita  
As at March 31



**ACCUMULATED  
DEFICIT**

As a Percentage of  
Gross National Product  
As at March 31



## OTHER INFORMATION

## Capital Leases

Table 13.6 provides details of commitments under capital lease arrangements which are summarized in Note 17 to the audited financial statements in Section 2 of this volume. A capital lease is a lease that, from the point of view of the

Government, transfers substantially all the benefits and risks incident to ownership of the asset to the Government. Table 13.7 presents commitments under capital lease arrangements in order of maturity.

TABLE 13.6

COMMITMENTS UNDER CAPITAL LEASE ARRANGEMENTS  
(in thousands of dollars)

Department and agency identification of capital lease	Inception date	Lease term in years	Fair value of leased property at inception	Total estimated minimum lease payments, full term (excluding executory costs)	Implicit interest rate (%)	Balances at March 31, 1986			Net commit- ment under capital lease arrange- ments
						Total estimated remaining mini- mum lease payments	Less: imputed interest, using the implicit interest rate	Less: executory costs	
<b>Communications</b>									
Cyber computer (a).....	Sept 9, 1985	4	880	1,083	10.6	925	154		771
Cyber computer (b).....	Feb 2, 1986	4	1,458	1,906	10.5	1,838	417		1,421
			2,338	2,989		2,763	571		2,192
<b>Energy, Mines and Resources</b>									
Office electronic data processing equip- ment .....	Oct 1, 1985	5.4	667	914	10.1	836	211		625
<b>Employment and Immigration</b>									
Electronic data processing equipment, Phase IV .....	Oct 12, 1982	5	2,069	3,387	18.0	1,265	285		980
Electronic data processing equipment, micros .....	May 1, 1985	5	610	928	16.0	759	346		413
			2,679	4,315		2,024	631		1,393
<b>Environment</b>									
Cray computer .....	Jan 11, 1983	6.5	20,212	42,575	19.8	38,556	15,290	4,457	18,809
<b>Indian Affairs and Northern Development</b>									
Hewlett Packard computers .....	Mar 15, 1986	4	2,883	6,581	27.0	6,570	3,687		2,883
<b>National Revenue</b>									
Electronic data processing equipment ....	Jan 1, 1986	3	590	842	18.5	781	221		560
<b>Public Works</b>									
Charlottetown, DVA Building .....	Apr 1, 1984	35	15,600	78,365	14.2 <sup>(2)</sup>	73,887	58,326		15,561
Guy Favreau Building, Montreal.....	Dec 1, 1983	35	87,600	422,950	12.7 <sup>(2)</sup>	396,752	309,730		87,022
240 Sparks St, CD Howe Building .....	Jan 1, 1979	35	63,703	213,500	9.1 <sup>(2)</sup>	169,275	108,217		61,058
L'Esplanade Laurier, Ottawa .....	July 1, 1975	35	60,374	222,715	9.5 <sup>(2)</sup>	159,838	104,011		55,827
Place du Centre, Hull .....	Dec 1, 1977	30	26,201	96,600	11.4 <sup>(2)</sup>	71,433	47,076		24,357
Terrasses de la Chaudière, Hull.....	July 1, 1977	35	146,084	564,230	9.8 <sup>(2)</sup>	436,672	299,140		137,532
Cornwall, Government of Canada Building (GOCB) .....	Dec 1, 1984	35	9,600	49,420	14.5 <sup>(2)</sup>	47,537	37,955		9,582
Scarborough (GOCB) .....	Dec 1, 1984	35	38,900	191,965	13.3 <sup>(2)</sup>	185,033	146,272		38,761
Chatham (GOCB) .....	June 1, 1985	35	4,940	20,783	11.8 <sup>(2)</sup>	20,289	15,354		4,935
			453,002 <sup>(1)</sup>	1,860,528		1,560,716	1,126,081		434,635
<b>Secretary of State</b>									
Xerox copier .....	Jan 1, 1986	3	105	142	15.5	131	32		99
Electronic data processing equipment ....	Mar 1, 1985	3	354	448	12.7	286	45		241
Electronic data processing equipment ....	Oct 1, 1985	3	225	365	24.9	318	115		203
Electronic data processing equipment ....	Jan 1, 1984	4.3	729	1,093	17.5	514	109		405
			1,413	2,048		1,249	301		948
<b>Total</b> .....			483,784	1,920,792		1,613,495	1,146,993	4,457	462,045

<sup>(1)</sup> Estimated fair value.

<sup>(2)</sup> Lessors' financing rate per lease agreement is subject to change over term of lease.

TABLE 13.7

# COMMITMENTS UNDER CAPITAL LEASE ARRANGEMENTS IN ORDER OF MATURITY

(in thousands of dollars)

Department and agency	Payments due in											Total
	1987	1988	1989	1990	1991	1992 to 1996	1997 to 2001	2002 to 2006	2007 to 2011	2012 to 2016	2017 to 2021	
Communications												
Remaining payments.....	674	674	674	741								2,763
Imputed interest.....	228	174	115	54								571
Net commitment .....	446	500	559	687								2,192
Energy, Mines and Resources												
Remaining payments.....	156	156	157	157	210							836
Imputed interest.....	63	54	43	32	19							211
Net commitment .....	93	102	114	125	191							625
Employment and Immigration												
Remaining payments.....	820	814	184	185	21							2,024
Imputed interest.....	338	188	73	30	2							631
Net commitment .....	482	626	111	155	19							1,393
Environment												
Remaining payments.....	4,613	4,919	5,003	5,216	18,805							38,556
Imputed interest.....	3,631	3,626	3,588	3,569	876							15,290
Executory costs .....	864	1,147	1,147	1,024	275							4,457
Net commitment .....	118	146	268	623	17,654							18,809
Indian Affairs and Northern Development												
Remaining payments.....	1,458	1,656	1,656	1,800								6,570
Imputed interest.....	1,259	1,026	860	542								3,687
Net commitment .....	199	630	796	1,258								2,883
National Revenue												
Remaining payments.....	243	243	295									781
Imputed interest.....	105	74	42									221
Net commitment .....	138	169	253									560
Public Works												
Remaining payments.....	50,219	50,219	50,219	50,218	50,218	251,094	251,094	251,094	260,640	192,356	103,345	1,560,716
Imputed interest.....	47,088	46,730	46,366	46,080	45,739	220,049	199,233	169,611	139,695	108,247	57,243	1,126,081
Net commitment .....	3,131	3,489	3,853	4,138	4,479	31,045	51,861	81,483	120,945	84,109	46,102	434,635
Secretary of State												
Remaining payments.....	416	541	292									1,249
Imputed interest.....	63	132	106									301
Net commitment .....	353	409	186									948
Summary												
Remaining payments.....	58,599	59,222	58,480	58,317	69,254	251,094	251,094	251,094	260,640	192,356	103,345	1,613,495
Imputed interest.....	52,775	52,004	51,193	50,307	46,636	220,049	199,233	169,611	139,695	108,247	57,243	1,146,993
Executory costs .....	864	1,147	1,147	1,024	275							4,457
Net commitment .....	4,960	6,071	6,140	6,986	22,343	31,045	51,861	81,483	120,945	84,109	46,102	462,045

## Contingent Liabilities

A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur.

The Government of Canada as an accounting entity is defined as all the departments named in Schedule A of the Financial Administration Act; any division or branch of the Public Service of Canada, including a commission appointed under the Inquiries Act, designated by the Governor in Council as a department for purposes of the Financial Administration Act; the staffs of the Senate, the House of Commons, and the Library of Parliament; and, any corporation named in Schedule B of the Financial Administration Act. Corporations listed in Parts I and II of Schedule C of the Financial Administration Act, and those Crown corporations that are not subject to the Financial Administration Act, are excluded from this definition. Information regarding contingent liabilities of Crown corporations can be found in Table 8.9—"Contingent Liabilities of Crown Corporations", while details of their borrowings can be found in Table 8.4—"Government of Canada Financial Interest in Crown Corporations". Some

Crown corporations also operate insurance programs. Information regarding these insurance programs can be found in Note 6 to the audited financial statements of the Government in Section 2 of this volume.

The contingent liabilities of the Government comprise explicit guarantees by the Government, which include borrowings by other than Crown corporations, both from agents Crown corporations and from other than agents. Such explicit guarantees consist of guarantee programs of the Government, explicit guarantees by the Government for loans, financial arrangements and other potential liabilities, insurance programs of the Government and other explicit guarantees. They also comprise potential losses arising from pending and threatened litigation relating to claims and assessments in respect of breach of contract, damages to persons and property, and like items. Pending and threatened litigation is reported in total in the following table. This table is also summarized in Note 4 to the audited financial statements of the Government in Section 2 of this volume.

TABLE 13.8

### STATEMENT OF CONTINGENT LIABILITIES AS AT MARCH 31, 1986

	Authorized limit (where applicable)	Contingent liability	Percentage of net claims to outstanding guarantees (where applicable) <sup>(1)</sup>
	\$	\$	%
<b>EXPLICIT GUARANTEES BY THE GOVERNMENT OF—</b>			
Borrowings by other than Crown corporations—			
From agents—			
Loans to Indians by the Canada Mortgage and Housing Corporation and the Farm Credit Corporation, for on-reserve housing .....	350,000,000	69,157,163 <sup>(2)</sup>	8.3
Loans to Nanisivik Mines Ltd by the Canada Mortgage and Housing Corporation, for the development of a town at Strathcona Sound, Baffin Island .....	4,570,000	2,455,175	
	354,570,000	71,612,338	
From other than agents <sup>(3)</sup> —			
Guarantee programs of the Government—			
Canada Student Loans Act .....	3,740,210,252	1,896,943,950	4.0
Small Businesses Loans Act .....	637,716,171 <sup>(4)</sup>	474,627,891	7.1
Advance Payments for Crops Act .....	400,000,000	165,781,599	(5)
Farm Improvement Loans Act .....	315,897,400 <sup>(4)</sup>	130,296,605	.6
Enterprise development program and Canadian Industrial Renewal Board .....	1,186,775,700	23,462,191 <sup>(6)</sup>	17.7
Fisheries Improvement Loans Act .....	24,003,709 <sup>(4)</sup>	10,372,913	15.7
Regional Development Incentives Act .....	24,294,000	6,382,000	20.7
Loans to Indians by approved lenders for on-reserve housing .....	(7)	168,736,753 <sup>(2)</sup>	.5
Financial obligations incurred by air carriers regarding The de Havilland Aircraft of Canada, Limited DHC-7 and DHC-8 aircraft .....	509,160,000 <sup>(8)</sup>	159,990,211 <sup>(8)</sup>	5.3
Loans to foreign borrowers for goods or services purchased from Canadian exporters .....	8,060,780	3,546,987 <sup>(2)</sup>	25.0
Indian economic development program .....	6,846,118,012	3,053,147,100	
Other explicit loan guarantees—			
Loans to construct coal handling and terminal facilities by Ridley Terminals Inc .....	205,000,000	197,403,000	
Loans to Curragh Resources Corporation for company operations .....	11,475,000	11,475,000	
Loans for the restructuring of Maislin Industries Ltd .....	11,864,300 <sup>(8)</sup>	11,864,300 <sup>(8)(9)</sup>	
Loan to La Fédération des Co-opératives du Nouveau-Québec for the purpose of financing the purchase and transport of sealift supplies .....	1,785,000	1,302,564	
Loans to the Ottawa Civil Service Recreation Association .....	2,000,000	412,500	
Loans for the financing of Cheticamp/Grand Entang Fishermen's Co-operative Society Ltd .....	360,000	209,093	
	232,484,300	222,666,457	
Insurance programs of the Government—			
Insurance against accidents at nuclear installations under the Nuclear Liability Act <sup>(10)</sup> .....	675,000,000	641,070,158	
Accounts administered for the Government by the Export Development Corporation—Insurance and related guarantees .....		426,000,000	
Insurance under the Fishing Vessel Insurance Plan <sup>(11)</sup> .....	6,647,986	389,298,561	
	681,647,986	1,456,368,719	

TABLE 13.8

STATEMENT OF CONTINGENT LIABILITIES  
AS AT MARCH 31, 1986—Concluded

	Authorized limit (where applicable)	Contingent liability	Percentage of net claims to outstanding guarantees (where applicable) <sup>(1)</sup>
	\$	\$	%
Other explicit guarantees—			
Guarantees under the Prairie Grain Advance Payments Act .....	147,314,387	147,314,387	<sup>(5)</sup>
Guarantees under the Agriculture Products Co-operative Marketing Act .....	73,594,671	73,594,671	1.0
Guarantee against damage or loss that may be occasioned by leased aircraft .....		682,500 <sup>(8)</sup>	
	<u>220,909,058</u>	<u>221,591,558</u>	
Total explicit guarantees .....	<u>8,335,729,356</u>	<u>5,025,386,172</u>	
PENDING AND THREATENED LITIGATION .....		<u>3,850,432,024<sup>(8)(12)</sup></u>	
Total .....		<u>8,875,818,196</u>	

<sup>(1)</sup> Represents the average percentage over the most recent 5 years of net claims to the average amount of outstanding guarantees as at March 31, 1986.

<sup>(2)</sup> Committed guarantees exist for the following loans to be made: to Indians for on-reserve housing, \$43,452,876—for Indian economic development, \$697,510. At the reporting date, no loans had been issued for these amounts.

<sup>(3)</sup> Letters of comfort have been issued by the Minister of Finance to the Bank of Canada with respect to funds advanced or guarantees provided by the Bank of Canada to the Bank for International Settlements (BIS). The letters pertain to BIS standby credit facilities in favour of the International Monetary Fund. The Government's potential liability and actual exposure at March 31, 1986 amounted to 180 million Special Drawing Rights (\$205,400,000 US).

<sup>(4)</sup> The Act places limits on the maximum amount of guarantee for loans made by eligible lenders over different loan periods. The maximum amount of guarantee per lender is expressed in legislation as a percentage of aggregate loans made to qualified borrowers and varies depending upon the dollar value range of aggregate loans made by the lender. The authorized limits for given loan periods are included in the figure reported until all qualified loans made by all eligible lenders in the given periods are no longer outstanding, and are not adjusted for loan repayments nor payments made by the Government for guaranteed amounts in which default has occurred.

<sup>(5)</sup> Less than .1%.

<sup>(6)</sup> Includes \$2,191,704 attributable to the Canadian Industrial Renewal Board.

<sup>(7)</sup> Authorized limit for loan guarantees for on-reserve housing totals \$350,000,000 (shown above) for loans made by the Canada Mortgage and Housing Corporation, the Farm Credit Corporation and other approved lenders.

<sup>(8)</sup> Amount denominated wholly or partially in a foreign currency and translated at the closing rate of exchange as at date of statement.

<sup>(9)</sup> Maislin Industries Ltd was placed in receivership on July 11, 1983 and was declared bankrupt on October 19, 1983. To date, the Government has made interim payments totalling \$18,500,000 US to creditors under a guarantee in the amount of \$27,000,000 US. It is anticipated that the Company's assets will be liquidated later in the year and that the Government will be called upon to make a payment of \$7,000,000 US to settle remaining obligations to creditors at that time.

<sup>(10)</sup> There have been no claims under the Nuclear Liability Act since its inception in 1970. The Act covers 15 Canadian nuclear installations, 9 of which are active, as at March 31, 1986.

<sup>(11)</sup> The Fishing Vessel Insurance Plan is administered by the Government to insure fishermen against abnormal capital losses. A specified purpose account is credited with premiums, recoveries, and with advances to the account by the Government, such advances not to exceed \$150,000 at any time. The account is debited with refunds of premiums and payments in settlement of third party vessel collision damage claims against fishermen, where the collision involves a vessel insured under the Plan. As at March 31, 1986, the insured value of vessels under the Plan amounted to \$389,298,561; the balance of the account was \$6,467,986 and outstanding claims against the account totalled \$1,200,000.

<sup>(12)</sup> Includes \$2.9 billion related to the administration of native statutory and treaty obligations by the Department of Indian Affairs and Northern Development. This amount represents plaintiffs' claims in 50 litigation cases. There are another 75 cases and settlements of Native Land claims currently under negotiation, for which amounts are not stated in the claims, and it is not possible to determine the amounts that may be ultimately payable.





# **SECTION 14**

**1985-86**

**PUBLIC ACCOUNTS**

**Index**



# INDEX

NOTE—NUMBERS IN **BOLD FACE** PERTAIN TO SECTIONS

## A

Accounts payable, **2-9, 10-2, 10-3**  
 Accrual accounts, **1-9, 1-11, 1-12**  
 Accumulated deficit **2-7, 2-8, 2-16, 13-4**  
     as a percentage of gross national product (chart), **13-5**  
     effect of changes, **2-12**  
     in terms of total liabilities and net recorded assets, **13-4**  
     per capita (chart), **13-5**  
     statement for the year ended March 31, 1986, **2-7**  
 Administered trust accounts, **9-11, 9-16**  
 Advance payments, Statistics Canada, **9-20**  
 African Development Bank, **8-35, 8-37**  
 African Development Fund, **8-37**  
 Agricultural Development Fund, **8-37**  
 Agricultural services centres, **8-28, 8-31**  
     advances, **8-28, 8-29, 8-31**  
     loans, **8-28, 8-29, 8-31, 8-49**  
 Air Canada, **1-6, 2-8, 5-9, 8-3, 8-9, 8-20, 8-22**  
     capital stock, **8-8, 8-9**  
     consolidated loan, **8-8, 8-9**  
     Winnipeg maintenance hangar, **8-8, 8-9**  
 Alberta Province of  
     loans, investments and advances, **8-29**  
 Algeria, special loan assistance to, **8-33, 8-34**  
 All other Crown corporations, loans, investments and advances to,  
     **1-6, 2-8, 5-8, 8-3, 8-8, 8-49**  
 Allowance for borrowing of agent Crown corporations expected to be  
     repaid by the Government, **2-9, 8-19, 8-21, 8-25, 10-2, 10-3**  
 Allowance for conditional benefits, **8-38**  
 Allowance for employee vacation and termination benefits, **2-9, 10-2,**  
     **10-3**  
 Allowance for valuation **1-6, 8-3**  
 Allowance for valuation of assets, **1-6, 2-8, 8-3**  
 Analysis of actuarial deficiency adjustments for 1985-86, **9-5**  
 Andean Development Corporation, **8-37**  
 Annuities agents' pension account, **9-18, 9-22**  
 Antigua, special loan assistance to, **8-33**  
 Argentina, special loan assistance to, **8-33**  
 Army benevolent fund, **9-11, 9-16**  
 Asian Development Bank, **8-35, 8-36**  
     special, **8-37**  
 Asian Development Fund, **8-37**  
 Assets, **2-11, 2-12**  
 Assets and liabilities, statement of, **2-8**  
 Assisted passage scheme, **8-41, 8-43**  
 Atlantic Development Board carry-over projects, **8-27, 8-28, 8-30,**  
     **8-49**  
 Atlantic Pilotage Authority, **8-20, 8-22, 8-24**  
 Atlantic Provinces Power Development Act, **8-27, 8-28, 8-30, 8-49**  
 Atomic Energy of Canada Limited, **1-6, 2-8, 5-9, 8-3, 8-8, 8-10,**  
     **8-19, 8-21, 8-24, 8-25, 8-49**  
     Bruce heavy water plant, **8-8, 8-10, 8-50**  
     capital stock, **8-8, 8-10**  
     commercial products division, **8-8, 8-10, 8-50**  
     contributed capital, **8-8, 8-10**  
     Gentilly II nuclear power station, **8-8, 8-10**  
     heavy water inventory, **8-8, 8-10**  
     housing, **8-8, 8-10, 8-49**  
     Lepreau nuclear station, **8-8, 8-10, 8-49**  
     Sheridan Park engineering design office, **8-8, 8-10, 8-49**  
 Audited financial statements of the Government of Canada, **2**  
 Authority for loans, investments and advances, **2-12**

## A—Concluded

Authority for spending on operations, **2-12**  
 Authority for transactions, **2-12**  
 Aviation gas and diesel fuel, **1-4, 5-4, 5-6, 5-8, 5-10**  
  
**B**  
 Bank of Canada, **1-4, 5-4, 5-7, 5-9, 8-9, 8-11, 8-20, 8-22**  
 Bankruptcy Act  
     security deposits, **9-8, 9-11**  
     share proceeds in trust, **9-9, 9-13**  
     shares in trust, **9-9, 9-13**  
     unclaimed dividends and undistributed assets, **9-9, 9-13**  
 Barbados, special loan assistance to, **8-33**  
 Belize, special loan assistance to, **8-33**  
 Benefit fund, **9-11, 9-16**  
 Berne Union of the World Intellectual Property Organization, **8-35**  
 Bolivia, special loan assistance to, **8-33**  
 Borrowing authority, **2-12**  
 Borrowings expected to be repaid by these Crown corporations, **2-9,**  
     **8-19, 8-25, 10-2**  
 Borrowings by Agent Crown corporations, **8-25, 10-2**  
 Borrowings of Agent Crown corporations, **2-9, 2-17, 10-2**  
 Borrowings of Crown corporations designated as agents of Her  
     Majesty, **12-12**  
 Brazil, special loan assistance to, **8-33**  
 British Columbia, Province of  
     loans, investments and advances, **8-29**  
 British Yukon Railway Company, **8-42, 8-45**  
 Budgetary  
     appropriations to Crown corporations, **8-25**  
     deficit, **2-5**  
     expenditure, **2-5, 2-11, see also Expenditure detailed information**  
         on, **6, 6-2**  
     revenue, **2-5, 2-11, see also Revenue detailed information on, 5,**  
         **5-2, 5-3**  
     transactions, **1-3, 1-4, 1-5, 2-5**  
 Burgeo Leasing Limited, **8-42, 8-46**  
 Burma, special loan assistance to, **8-33**

## C

Cameroun, special loan assistance to, **8-33**  
 Canada Assistance Plan, **1-5, 2-6**  
 Canada Business Corporations Act—Unclaimed dividends and undis-  
     tributed assets, **9-9, 9-13**  
 Canada Council, **8-20, 8-22, 8-24**  
 Canada Deposit Insurance Corporation, **1-6, 1-12, 2-8, 2-17, 5-9,**  
     **8-3, 8-4, 8-19, 8-21, 8-25**  
 Canada Development Corporation, **8-39, 9-9, 9-12**  
 Canada Development Investment Corporation, **1-6, 2-8, 8-3, 8-8,**  
     **8-10, 8-19, 8-21, 8-24, 8-25, 8-26, 9-8, 9-12**  
 Canada Foundation account, **9-10, 9-13**  
 Canada Harbour Place Corporation, **8-19, 8-21, 8-24**  
 Canada Lands Company (Mirabel) Limited, **8-19, 8-21, 8-24**  
 Canada Lands Company (Le Vieux-Port de Montréal) Limited, **8-19,**  
     **8-21, 8-24**  
 Canada Lands Company (Vieux-Port de Québec) Limited, **8-19,**  
     **8-21, 8-24, 8-26**  
 Canada Mortgage and Housing Corporation, **1-4, 1-6, 1-12, 2-8,**  
     **5-4, 5-7, 5-9, 8-3, 8-4, 8-19, 8-21, 8-24, 8-26**

*C—Continued*

capital stock, 8•4  
housing, 8•4, 8•5  
joint projects, 8•4, 8•5  
ownership assistance, 8•4, 8•6  
real estate, 8•4, 8•5  
sewage treatment projects, 8•4, 8•5  
student housing projects, 8•4, 8•5  
urban renewal scheme, 8•4, 8•5  
Canada Museums Construction Corporation Inc, 8•19, 8•21, 8•24, 8•26  
Canada Pension Plan, 1•8, 2•15  
Canada Pension Plan Account, 1•6, 2•9, 6•14, 9•2, 9•3, 9•26  
Canada Pension Plan Investment Fund, 6•14, 9•2, 9•3, 9•26, 12•8, 12•11  
Canada Ports Corporation, 8•9, 8•11, 8•19, 8•21, 8•24, 8•25, 8•26  
Saint John Harbour Bridge Authority, 8•9, 8•12  
Canada Post Corporation account, 8•19, 8•21, 8•24, 9•8, 9•11  
Canada savings bonds, 1•7, 2•9, 6•14, 10•2, 12•2, 12•7, 12•11, 12•12  
held on account of employees, 1•7, 12•2  
Canada works program, 9•19, 9•23  
Canada's subscriptions to the capital of development banks, 8•35  
Canadair Limited, 8•8, 8•11  
Canadian Arctic Producers Co-operative Limited, 8•42, 8•45  
loans, 8•42, 8•45  
Canadian Arsenals Limited, 8•9, 8•12, 8•19, 8•21  
Canadian Broadcasting Corporation, 8•9, 8•12, 8•19, 8•21, 8•24  
Canadian Commercial Bank, 8•41, 8•42, 8•44, 8•48  
Canadian Commercial Corporation, 8•9, 8•12, 8•19, 8•21, 8•24, 8•26, 9•8  
Canadian Dairy Commission, 5•9, 8•9, 8•12, 8•19, 8•21, 8•24  
account, 9•8, 9•11  
Canadian defence industry, 8•42, 8•46  
Canadian Film Development Corporation, 8•9, 8•13, 8•19, 8•21, 8•24  
Canadian Forces  
housing projects, 8•42, 8•46  
personnel assistance fund, 9•11, 9•17  
Superannuation Account, 1•8, 9•5, 9•6  
Canadian Institute for International Peace and Security, 8•20, 8•22, 8•24  
Canadian International Development Agency, 9•19  
special loan assistance, 8•32  
Canadian jobs strategy program, 9•19, 9•23  
Canadian Livestock Feed Board, 8•19, 8•21, 8•24  
Canadian National Railway System, 5•9, 8•3, 8•11, 8•20, 8•22, 8•24  
Canadian Government Railways—Working capital, 8•8, 8•11  
capital stock, 8•8, 8•11  
consolidated loan, 8•8, 8•11  
Yarmouth Bar Harbour ferry services, 8•8, 8•11  
Canadian National Railways, 1•6, 2•8, 8•3, 8•11  
Canadian National (West Indies) Steamships Ltd, 8•9, 8•13, 8•19, 8•21, 9•16  
advances, 8•9, 8•13  
capital stock, 8•9, 8•13  
deposit and trust account, 9•11  
Canadian Ownership Account, 7•2, 7•3, 9•2  
Canadian Ownership special charge, 1•4, 5•4, 5•6  
collected, 7•2  
Canadian Patents and Development Limited, 8•9, 8•13, 8•19, 8•21, 8•24  
Canadian producers of frozen groundfish, 8•41, 8•44  
Canadian Saltfish Corporation, 8•9, 8•13, 8•19, 8•21, 8•25  
Canadian Sports Pool Corporation, 8•19  
other outstanding liabilities, 9•10, 9•15  
unclaimed prizes, 9•10, 9•15  
Canadian Wheat Board, The, 2•17, 8•19, 8•21, 8•24, 8•25

*C—Continued*

Canagrex, 8•19, 8•21  
Canarctic Shipping Company Limited, 8•39  
Candidates' election deposits, 9•9, 9•12  
Canertech Inc, 8•19, 8•21, 8•26  
Cape Breton Development Corporation, 8•9, 8•13, 8•19, 8•21, 8•24, 8•26  
Capital leases, 13•6  
purchasing options exercised during the year, 13•7  
Caribbean Development Bank, 8•35, 8•36  
Agricultural Development Fund, 8•37  
Commonwealth Caribbean Regional, 8•37  
special, 8•37  
Cash, 2•8, 5•9, 13•3  
Canadian currency, 1•7  
Canadian dollar deposits, 13•4  
foreign currencies, 1•7  
foreign currency deposits, 13•4  
Cash balance at end of year, 1•3, 1•7, 1•9, 2•5  
Cash in hands of collectors and in transit, 13•3  
Cash in transit, 1•6, 2•8, 13•3  
Central American Bank for Economic Integration, 8•37  
Change in cash, 1•3, 2•5  
Changes in accounting policies, 2•12  
Child tax credit, 2•17  
Chile, special loan assistance to, 8•33  
China, loan to, 8•32  
Chippewa Band of Kettlepoint, 8•42, 8•45  
Civil service insurance fund, 9•18, 9•20  
Classification of financial transactions, 2•11  
CN Marine Inc, 8•20, 8•22, 8•24, 8•26  
Coast Ferries Limited, 8•42, 8•48  
Colombia, special loan assistance to, 8•33  
Commitments under capital lease arrangements, 2•17, 13•6  
Commitments under capital lease arrangements in date of maturity, 13•7  
Common school funds—Ontario and Quebec, 9•10, 9•13  
Commonwealth War Graves Commission, 8•42, 8•49  
Company stock option, 8•42, 8•46  
Comparative statements of transactions, 1  
Comprehensive development plan agreement, 8•27, 8•30  
Computerized space programming methodology, 9•19, 9•24  
Congo-Brazzaville, special loan assistance to, 8•33  
Consolidated Computer Incorporated, 8•42, 8•46  
Consolidated Specified purpose accounts, 5•9, 7  
Consolidation of Crown corporations, 2•13, 8•22, 8•23  
Construction of multi-purpose exhibition buildings, 8•41, 8•43  
Contingent liabilities of Crown corporations, 8•26  
Contingent liabilities of the Government of Canada, 2•13, 13•8  
statement of, 13•8  
Contractors' and other holdbacks, 10•4  
Contractors' security deposits, 9•9, 9•12  
bonds, 9•9  
cash, 9•9  
certified cheques, 9•9  
Cooperative Energy Corporation, 8•39  
Corporation income tax, 1•4, 2•6, 5•3, 5•4, 5•6, 5•7, 5•10  
Corporation of the City of Montreal, 8•42, 8•48  
Cost recoverable technical assistance program, 9•19, 9•24  
Costa Rica, special loan assistance to, 8•33  
Council for Yukon Indians, 8•42, 8•45  
Crop reinsurance fund, 7•2, 7•3, 9•18  
Crown corporations  
loans, investments and advances, 1•6, 2•8, 5•9, 8•3, 8•4, 8•49  
Crown corporations' surplus moneys, 9•8, 9•12  
Canadian Commercial Corporation, 9•8  
St Lawrence Seaway Authority, The, 9•8  
Cuba, special loan assistance to, 8•33  
Cultural property, 8•41, 8•43



**C—Concluded**

Custodian administration account, 9·10, 9·14  
 Customs Co-operation Council, 8·35  
 Customs import duties, 1·4, 2·6, 5·3, 5·4, 5·6, 5·8, 5·10

**D**

Defence, 1·5, 2·6  
 Defence Construction (1951) Limited, 8·19, 8·21, 8·24, 8·26  
 Defence production loan account, 8·42, 8·48  
 Deficit, 1·3, 1·9, 2·5, 2·6  
   accumulated, 2·7, 2·8, 2·13, 2·16, 13·4, 13·5  
   effect of changes of the current and previous years, 2·12  
 Dependents' pension fund—Royal Canadian Mounted Police, 9·22, 9·25  
   audited financial statement, 9·26  
 Deposit account  
   Consumer and Corporate Affairs, 9·19, 9·23  
 Deposit and trust accounts, 1·6, 2·9, 6·14, 9·2, 9·8, 9·9  
 Development of export trade, 8·32, 8·34, 8·41, 8·44  
 Details of Government of Canada Financial Interest in Crown Corporations, 8·21  
 Details of outlays by envelope, 4·2  
 Developing countries  
   special loan assistance to, 8·32  
 Direct job creation and training, 1·5, 2·6  
 Discount on Treasury bills  
   unamortized, 10·2, 10·3  
 Disposition of authorities, 2·10, 2·16  
 Domestic coinage, 5·4, 5·7  
 Dominica, special loan assistance to, 8·33  
 Dominican Republic, special loan assistance to, 8·33  
 Donation trust fund, 9·10, 9·16  
 Dyskinesia and torticollis research, 9·10, 9·16

**E**

East African Community, special loan assistance to, 8·33  
 Economic and regional development, 1·5, 2·6  
 Ecuador, special loan assistance to, 8·33  
 Education support, 1·5, 2·6  
 Effect of changes on the accumulated deficit at the beginning of year, 2·13  
 Effect of changes on the deficit, 2·13  
 Egypt, special loan assistance to, 8·33, 8·34  
 Eldorado Mining and Refining Limited—Unpresented capital stock, 10·4  
 Eldorado Nuclear Limited, 8·8, 8·11, 8·49  
 Employment expansion and development program, 9·19, 9·23  
 Energy taxes, 1·4, 2·6, 5·4, 5·6, 5·8  
 Enterprise development program, 8·42, 8·46  
 Envelopes and outlays  
   detailed information on, 4·2  
 Envelopes and outlays, Estimates and Appropriations,  
   detailed information on, 4  
 Eskimo loan fund, 8·42, 8·45  
 Established programs financing, 1·5, 2·6  
 Estates—Armed services, 9·10, 9·15  
 Estates fund, 9·11, 9·17  
 Estimates and Appropriations  
   detailed information on, 4·7  
 Eurocan Pulp and Paper Co Ltd, 8·42, 8·46  
 Exchange Fund Account, 1·4, 5·4, 5·7, 5·9, 11·4  
   audited financial statements, 11·4  
 Excise duties, 1·4, 5·3, 5·4, 5·6, 5·8, 5·10  
 Excise tax—Gasoline, 1·4, 5·4, 5·6, 5·8, 5·10  
 Excise taxes and duties, 1·4, 2·6, 5·3, 5·4, 5·6, 5·8

**E—Concluded**

Expenditure, 1·3, 1·4, 1·5, 1·9, 1·10, 1·11, 2·6, 2·11, *see also*  
   Budgetary expenditure  
     by envelope, 6·3  
     by envelope and source, 6·4  
     by major spending ministry, monthly, 6·16  
     by program, 6·9  
     by standard object, 2·16, 6·8  
     by type, 6·10  
     statement of revenue and, 2·6  
     under statutory authority, 6·14, 6·15  
 Export Development Corporation, 1·6, 1·12, 2·8, 5·9, 8·3, 8·6,  
   8·19, 8·21, 8·25, 8·26  
   capital stock, 8·4, 8·6  
   loans, 8·4, 8·6  
 Extended National Accounts Presentation  
   summary statement of transactions, 1·9, 1·11, 1·12  
 Extended National Accounts Reconciliation, 1·13, 1·14,  
 External affairs and aid, 1·5, 2·6

**F**

Fair wages suspense account, 9·10, 9·15  
 Fairs and missions, 9·8, 9·11  
 Fairs, shows and seminars, 9·9, 9·12  
 Family allowances, 1·5, 2·6  
 Farm Credit Corporation, 1·4, 1·6, 1·12, 2·8, 5·4, 5·7, 5·9, 8·3,  
   8·4, 8·6, 8·19, 8·21, 8·24, 8·25  
   contributed capital, 8·4, 8·6  
   farm syndicates loan fund, 8·4, 8·7  
   notes, 8·4, 8·6  
 Farquharson scholarships, 9·10, 9·16  
 Federal Business Development Bank, 1·6, 1·12, 2·8, 5·9, 8·3, 8·7,  
   8·19, 8·21, 8·24, 8·25, 8·26  
   loans, 8·4, 8·7  
   paid-in capital, 8·4, 8·7  
 Federal Court  
   fees, 9·19, 9·24  
   special account, 9·10, 9·15  
 Federal-provincial employment loans program, 8·27, 8·28, 8·29,  
   8·30, 8·49  
 Federal-provincial fiscal arrangements, 8·27, 8·29, 8·30  
 Federal Republic of Germany, 9·19  
   German army, 9·19  
 Federal sales tax—Correctional Service, 9·20, 9·25  
 Fees paid in advance—Importation of foreign cattle, 9·19, 9·23  
 Financial assets, 2·8  
 Financial assistance under budgetary appropriation to Crown Corporations, 8·24  
 Financial requirements (excluding foreign exchange), 1·3, 1·9, 2·5  
 Financial statements of the Government of Canada, audited, 2  
 Fines—Indian Act, 9·19, 9·24  
 Fiscal arrangements, 1·5, 2·6  
 Fishing vessel insurance plan, 9·18, 9·21  
 Fixed assets, 2·8, 2·12, 13·4  
 Food and Agriculture Organization, 8·35  
 Footwear and tanning industries adjustment program, 8·42, 8·47  
 Foreign claims fund, 9·10, 9·14  
 Foreign exchange accounts, 2·8, 5·9  
   detailed information on, 11, 11·2  
 Foreign exchange transactions, 1·3, 1·7, 1·9, 2·5  
 Foreign governments, 9·19, 9·24  
 Freshwater Fish Marketing Corporation, 8·9, 8·14, 8·19, 8·21

**G**

Gabon, special loan assistance to, 8·33  
 General Agreement on Tariffs and Trade, 8·35

**G—Concluded**

- Ghana, special loan assistance to, 8·33
- Gold, 2·15
- Government Annuities Account, 1·6, 2·9, 6·14, 9·2, 9·8, 9·32
- Government of Canada as an accounting entity, 2·11
- Government of Canada financial interest in Crown corporations, 8·17, 8·18, 8·19, 8·20, 8·22
- Government of the Northwest Territories, 8·29, 8·31
- Government of the Yukon Territory, 8·29, 8·31
- Government's holdings of unmatured debt, 1·7, 2·9, 5·9, 12·2
- Great Lakes Fishery Commission—Lamprey research and control, 9·10, 9·14
- Great Lakes Pilotage Authority, Ltd, 8·20, 8·22, 8·24
- Greece, loan to, 8·32
- Grenada, special loan assistance to, 8·33
- Groundfish processors, 8·41, 8·44
- Guarantee deposits
  - Canadian International Development Agency, 9·19, 9·24
  - Customs and Excise, 9·9, 9·12
  - Energy, Mines and Resources
    - oil and gas, 9·8, 9·11
    - Environment, 9·8, 9·11
    - Fisheries and Oceans, 9·8, 9·12
  - Indian Affairs and Northern Development, 9·8, 9·12
    - reserve resources, 9·8, 9·12
    - rotating herds, 9·8, 9·12
- Guatemala, special loan assistance to, 8·33
- Guyana, special loan assistance to, 8·33

**H**

- Haddock fishermen, 8·41, 8·44
- Halifax 1917 explosion pension account, 9·10, 9·14
- Halifax Port Corporation, 8·9, 8·14, 8·19, 8·21
- Hamilton Harbour Commissioners, 8·42, 8·48
- Harbourfront capital account, 9·9, 9·12
- Harbourfront Corporation, 8·20, 8·22, 8·24
- Health insurance supplementary account, 9·18, 9·21
- Herbert Lott naval trust fund, 9·10, 9·15
- Honduras, special loan assistance to, 8·33
- Housing, 1·5, 2·6
- Hydro-Quebec Research Institute, 8·41, 8·43, 8·49

**I**

- Immigration guarantee fund, 9·8, 9·11
- Importation of Dutch bulbs, 9·19, 9·23
- Importation of foreign cattle, 9·19, 9·23
- Imprest account cheques, 10·3
- Imprest accounts, standing advances and authorized loans, 8·41, 8·43
- Income tax, 1·4, 2·6, 5·4, 5·6
- India, special loan assistance to, 8·33
- Indian
  - agencies revenue trust bank accounts, 9·10, 9·14
  - band funds, 9·10, 9·14
    - shares and certificates, 9·10, 9·14
  - compensation funds, 9·10, 9·15
  - contributions to the subsidy housing program, 9·8, 9·12
  - economic development, 8·42, 8·45
  - estate accounts, 9·10, 9·15
  - housing assistance, 8·42, 8·45
  - moneys suspense account, 9·10, 9·15
  - 1924 Ontario lands agreement, 9·10, 9·15
  - savings accounts, 9·8, 9·12
  - special accounts, 9·8, 9·15
- Indian Act, fines, 9·19, 9·24
- Indonesia, special loan assistance to, 8·33
- Industrial and regional development program, 8·42, 8·47

**I—Concluded**

- Inmates' trust fund, 9·11, 9·16
- In-Situ contaminants workshop, 9·19, 9·24
- Instalments (payroll deductions) made by employees in the purchase of Canada savings bonds, 9·9, 9·12
  - National Defence, 9·9
  - Solicitor General—Royal Canadian Mounted Police, 9·9
  - Supply and Services, 9·9
- Insurance and death benefit accounts, 9·18
- Insurance and medical care services, 1·5, 2·6
- Insurance programs, 2·14
- Inter-American Development Bank, 8·35, 8·36, 8·49
  - Fund for Special Operations, 8·37
- Interest
  - accrued, 10·2, 10·3
  - bearing loans, Unemployment Insurance Account, 2·9, 9·2
  - due, 10·2, 10·3
    - on bank deposits, 1·4, 5·4, 5·7, 5·9
    - on bonds—Insurance Companies, 9·20, 9·25
    - on investment *re*: military purchases, 5·9
    - on loans to the Unemployment Insurance Account, 5·9
    - rates, unmatured debt, 12·11
- Interest and matured debt, 2·9, 10·2
- Intergovernmental Maritime Consultative Organization, 8·35
- International agencies—Travel account, 9·10, 9·13
- International Atomic Energy Agency, 8·35
- International Bank for Reconstruction and Development, 8·35, 8·37
  - world banks, 8·36
- International Centre for Ocean Development, 8·20, 8·24
- International Civil Aviation Organization, 8·35
- International Development Assistance—Loans and subscriptions, 2·14
- International Development Association, 8·35, 8·36
- International Development Research Centre, 8·19, 8·22, 8·24
- International Finance Corporation, 8·35, 8·36
- International financial institutions, 8·35, 8·37, 8·49
- International Fund for Agriculture Development, 8·37
- International Joint Commission, 9·19
- International Labour Organization, 8·35
- International Monetary Fund, 8·37
  - notes payable, 1·7, 2·8, 11·2, 11·3
  - subscriptions, 1·7, 2·8, 5·9, 11·2, 11·3
- International Natural Rubber Agreement, 8·35, 8·37
- International organizations, 1·6, 2·8, 5·9, 8·3, 8·34, 8·35, 8·49
- International organizations and associations, 8·35, 8·37
- International reserves held in the Exchange Fund account, 1·7, 2·8, 11·2, 11·3
- International Tin Council, 8·35, 8·37
- Inuvik General Hospital, 9·10, 9·16
- Investors' Indemnity fund, 9·18, 9·20
- Ivory Coast, special loan assistance to, 8·33

**J**

- Jacques Cartier and Champlain Bridges Incorporated, The, 8·9, 8·16, 8·20, 8·22, 8·24, 8·26
- Jamaica
  - loan for economic assistance, 8·32, 8·49
  - special loan assistance to, 8·33
- Joint and mixed enterprises; and
  - loans, investments and advances, 1·6, 2·8, 5·9, 8·3, 8·39
- Justice and legal, 1·5, 2·6

**K**

- Kennedy Round agreement, 8·42, 8·47
- Kenya, special loan assistance to, 8·33
- Korea, special loan assistance to, 8·33

## L

Labour Standards suspense account, 9·10, 9·15  
 Lamprey research and control, Great Lakes Fishery Commission, 9·10, 9·14  
 Land assurance fund, 9·18, 9·21  
 Laurentian Pilotage Authority, 8·20, 8·22, 8·24  
 Lending institutions, loans, investments and advances to Crown corporations, 1·6, 1·12, 2·8, 5·9, 8·3, 8·4  
 Liabilities, 2·9, 2·11, 2·12  
   contingent, 2·12, 13·8  
   other, 2·9, 10·2  
   statement of assets and, 2·8  
   statement of contingent, 13·8  
 Loading ramp, Yarmouth, NS, 8·27, 8·30  
 Loans and accountable advances, 8·41  
 Loans and other transactions, 1·9, 1·11, 1·12  
 Loans, investments and advances, 1·3, 1·5, 1·6, 1·9, 1·11, 1·12, 2·5, 2·8, 5·9  
   detailed information on, 8·8, 2·8, 3  
 Loans to developing countries, 2·14  
 Locally-engaged contributory pension account, 9·18, 9·22  
 Loto Canada Inc, 8·9, 8·14  
 Lower Churchill Development Corporation, 8·39, 8·40

## M

Mackenzie King trust account, 9·9, 9·13  
 Madagascar, special loan assistance to, 8·33  
 Mainland Investments Limited, 8·27, 8·30  
 Malaysia, special loan assistance to, 8·33  
 Malta, special loan assistance to, 8·33  
 Manitoba, Province of  
   loans, investments and advances, 8·28  
 Maritime pollution claims fund, 9·18, 9·21  
 Market development incentive payments—Alberta, 9·19, 9·23  
 Marketable bonds, 1·7, 2·9, 12·2, 12·11, 12·12  
   payable in Canadian currency, 6·14, 12·2, 12·3  
   payable in foreign currencies, 2·9, 6·14, 12·2, 12·6  
 Matured debt, 10·2, 10·3  
 Maturity of Government debt, 2·16, 12·12  
 Mauritania, special loan assistance to, 8·34  
 Medical Research Council—  
   Dyskinesia and torticollis research, 9·10  
   Farquharson scholarships, 9·10  
 Members of Parliament retiring allowances account, 9·18, 9·22  
 Mexico, special loan assistance to, 8·34  
 Military purchases excess funds deposit, 9·20, 9·25  
 Mingan Associates, Ltd, 8·9, 8·20, 8·22  
 Miscellaneous accountable advances, 8·41, 8·43  
 Miscellaneous accountable imprest and standing advances, 8·41, 8·43  
 Miscellaneous departmental payroll deductions, 10·4  
 Miscellaneous loans, investments and advances, 1·6, 2·8, 5·9, 8·3, 8·41, 8·49  
 Miscellaneous other liabilities, 2·9, 10·2, 10·4  
 Miscellaneous projects' deposits  
   Agriculture, 9·19, 9·23  
   Energy, Mines and Resources, 9·19, 9·24  
   Environment, 9·19, 9·24  
   Fisheries and Oceans, 9·19, 9·24  
 Moneys received after March 31 but applicable to the current year, 13·3  
 Monthly total net expenditure by major spending ministry, 6·16  
 Monthly total net revenue by selected classification, 5·10  
 Montreal Port Corporation, 8·9, 8·14, 8·19, 8·21, 8·26  
 Monserrat, special loan assistance to, 8·34  
 Morocco, special loan assistance to, 8·34  
 Municipal Development and Loan Board, 1·12, 8·27, 8·28, 8·29, 8·30

## N

National Arts Centre Corporation, 8·20, 8·22, 8·24  
 National Battlefields Commission, The  
   trust fund, 9·9, 9·13  
 National accounts transactions, 1·9, 1·11  
 National Capital Commission, 8·9, 8·14, 8·19, 8·21, 8·24, 8·26  
 National governments including developing countries  
   loans, investments and advances, 1·6, 2·8, 5·9, 8·3, 8·31, 8·32, 8·49  
 National Lottery account, 9·11, 9·16  
 National Museums of Canada—Trust account, 9·9  
 National Research Council, 9·19  
 Nanisivik Mines Ltd, 8·42, 8·45  
 Native claimants, 8·42, 8·45  
 NATO, *see* North Atlantic Treaty Organization  
 Natural gas and gas liquids tax, 1·4, 5·4, 5·6, 5·8  
 Net recorded assets, 2·8  
 Net source, 1·3, 1·9, 2·5  
 New Brunswick, Province of  
   loans, investments and advances, 8·28  
 Newfoundland and Labrador Development Corporation Limited, 8·40  
   capital stock, 8·39, 8·40  
   loans, 8·39, 8·40  
 Newfoundland, Province of,  
   loans, investments and advances, 8·27  
 New Grade Energy Inc, 8·41, 8·43  
 Nicaragua, special loan assistance to, 8·34  
 Nigeria, special loan assistance to, 8·33, 8·34  
 Nobody's perfect—Shared-cost project, 9·19, 9·24  
 Non-budgetary transactions, 1·3, 1·5, 1·6, 2·5  
 Non-government agencies, 9·19, 9·24  
 Non-marketable bonds, 12·11  
 Non-resident income tax, 1·4, 2·6, 5·4, 5·6, 5·8, 5·10  
 Non-tax revenue, 2·6, 5·3, 5·4, 5·7, 5·10  
 North Atlantic Treaty Organization, (NATO), 9·19, 9·24  
   damage claims recoverable, 8·32, 8·34  
   infrastructure projects, 9·19  
   other projects, 9·19  
 Northern Canada Power Commission, 5·9, 8·15, 8·19, 8·21, 8·26  
   advances, 8·9, 8·15  
   loans, 8·9, 8·15, 8·49  
   working capital, 8·9, 8·15  
 Northern Transportation Company Limited, 8·15, 8·19, 8·24, 8·42, 8·48  
   capital stock, 8·9, 8·15  
   loans, 8·9, 8·15  
 Northwest Territories  
   loans, investments and advances, 8·29  
 Notes and loans, 1·7, 2·9, 6·12, 12·2, 12·9, 12·11, 12·12  
 Notes payable  
   International Monetary Fund, 2·8, 8·37, 11·2, 11·3  
   international organizations, 2·8, 8·3, 8·35  
   payable in Canadian currency, 6·14  
   payable in foreign currencies, 6·14  
 Notes to the financial statements of the Government of Canada, 2·11  
 Nova Scotia, Province of  
   loans, investments and advances, 8·27  
 N·S· Holdco Limited, 8·39, 8·40  
   advance, 8·39, 8·40  
   capital stock, 8·39, 8·40  
 Nuclear liability reinsurance account, 9·18, 9·20

## O

Observations by the Auditor General on the financial statements of the Government of Canada, 3  
 Oil export charges, 1·4, 5·4, 5·6, 5·8, 5·10  
 revenue sharing account, 7·2, 7·3, 9·19, 9·24

**O—Concluded**

- Oil refinery terminal wharf at Come-by-Chance, Newfoundland, 8·42, 8·46
- 125459 Canada Limited, 8·39, 8·40
- 1924 Ontario lands agreement, 9·10, 9·15
- Old age security benefits, guaranteed income supplements and spouses' allowances, 1·5, 2·6
- Ontario, Province of
  - loans, investments and advances, 8·28
- Opinion of the Auditor General on the financial statements of the Government of Canada, 2·19
- Other accounts reported on the Statement of Assets and Liabilities detailed information on, 13·3
- Other accounts, return on investments, 5·9
- Other excise taxes and duties, 1·4, 2·6, 5·4, 5·6, 5·10
- Other expenditure, 1·5, 2·6
- Other information related to the Financial Statements, 13
- Other liabilities, 1·6, 2·8, 2·9
  - detailed information on, 10, 10·2
  - miscellaneous, 1·6, 2·8, 2·9, 10·2, 10·4
- Other loans, investments and advances, 1·6, 2·8, 5·9, 8·3
- Other non-tax revenue, 2·6, 5·4, 5·7
- Other return on investments, 1·4, 5·4
- Other specified purpose accounts, 1·6, 2·9, 6·14, 9·2, 9·18
- Other tax revenue, 1·4, 2·6, 5·3, 5·4, 5·6, 5·7, 5·8, 5·10
- Other transactions, 1·3, 1·5, 1·9, 1·11, 1·12, 1·13, 2·5
- Ottawa Civil Service Recreational Association, 8·41, 8·44
- Outlays by envelope
  - details of, 4·2
- Outlays of ministries by envelope, 4·6
- Outstanding cheques, 10·3
- Outstanding cheques and warrants, 2·9, 10·2, 10·3

**P**

- Pacific Pilotage Authority, 8·20, 8·22
- Pakistan, special loan assistance to, 8·34
- Paraguay, special loan assistance to, 8·34
- Paris Union of the World Intellectual Property Organization, 8·35
- Parliament, 1·5, 2·6
- Parliamentary spending authorities, 4·7
- Parolees, 8·42, 8·48
- Pécheres Canada Inc, 8·9, 8·15, 8·19, 8·21, 8·26
- Personal income tax, 1·4, 2·6, 5·3, 5·4, 5·6, 5·7, 5·10
- Personnel posted
  - abroad, 8·41, 8·43
  - in Canada, 8·41, 8·43
- Peru, special loan assistance to, 8·33, 8·34
- Petro-Canada, 1·6, 2·8, 5·9, 8·3, 8·8, 8·11, 8·19, 8·21, 8·24, 8·25, 8·26
  - capital stock, 8·8
  - common, 8·8
  - preferred, 8·8
- Petro-Canada Enterprises Inc—Unclaimed shares, 9·11, 9·16
- Petroleum and gas revenue tax and incremental oil revenue tax, 1·4, 5·4, 5·6, 5·8, 5·10
- Petroleum compensation charge, 5·4, 5·6
- Philippines, special loan assistance to, 8·34
- Pioneer Trust Payment Continuation Act account, 9·18, 9·21
- Port Alberni Harbour Commission, 8·42, 8·48
- Port of Quebec Corporation, 8·19, 8·21, 8·26
- Posts abroad, 8·41, 8·43
- Prairie farm emergency fund, 9·18, 9·20
- Premium and discount on exchange, 5·4, 5·7
- Presentation of Expenditure by Standard object, 2·17
- Prince Edward Island, Province of
  - loans, investments and advances, 8·27
- Prince Rupert Port Corporation, 8·9, 8·15, 8·19, 8·21
- Privileges, licences and permits, 5·4, 5·7

**P—Concluded**

- Proceeds from sales, 5·4, 5·7
- Program expenditure, 1·5, 2·6
- Promotion of official languages, 9·20, 9·25
- Provincial and territorial governments
  - loans, investments and advances, 1·6, 2·8, 5·9, 8·3, 8·27, 8·49
- Provincial government securities held by the Canada Pension Plan Investment Fund, 2·9, 9·2, 9·3
- Provincial sales tax
  - Correctional Service, 9·20, 9·25
  - Energy, Mines and Resources, 9·20, 9·25
  - National Library, 9·20, 9·25
  - Public Archives, 9·20, 9·25
  - Royal Canadian Mounted Police, 9·20, 9·25
- Provincial tax collection agreements account, 1·6, 2·9, 9·2, 9·17
- Provincial workers' compensation boards, 8·42, 8·46
- Provision for compound and bonus interest on Canada savings bonds, 10·2, 10·3
- Public debt, 1·5, 2·6
- Public debt charges, 6·14
- Public Service death benefit account, 9·18, 9·21, 9·22
- Public Service Superannuation Account, 1·8, 9·5, 9·6

**Q**

- Quebec, Province of
  - loans, investments and advances, 8·28
- Queen's Fellowship fund—Social Sciences and Humanities Research Council, 9·20, 9·25

**R**

- Radio Engineering Products Limited, 8·42, 8·47
- Receiver General current deposits, 13·3, 13·4
- Receiver General special deposits, 13·3, 13·4
- Reconciliation of outlays for loans, investments and advances to non-budgetary use of appropriations, 4·9
- Reconciliation of total net revenue, 5·6, 5·7, 6·6
- Recorded uncollected interest
  - loans, investments and advances, 8·49
- Refunds of previous years' expenditure, 5·4, 5·7
- Regional Electrical interconnections, 8·27, 8·28, 8·30, 8·49
- Regular forces death benefit account, 9·18, 9·21
- Regular income from properties, 5·9
- Retirement fund, 1·4, 9·18, 9·23
- Return on investments, 2·6, 5·4, 5·7, 5·9
- Returned soldiers' insurance fund, 9·18, 9·22
- Revenue, 1·3, 1·4, 1·9, 1·11, 2·6, 2·11, 5·3, *see also* Budgetary revenue
  - by main classification and source, budgetary, 5·4
  - by selected classification, monthly, 5·10
  - five year comparative summary (chart), 5·3
  - non-tax, 2·6, 5·4
  - revenue and expenditure, statement of, 2·6
  - tax, 2·6, 5·4
- Royal Canadian Mint, 5·9, 8·9, 8·16, 8·19, 8·21
  - account, 9·9, 9·12
- Royal Canadian Mounted Police
  - benefit fund, 9·11, 9·20
  - dependants' pension fund, 9·18
  - audited financial statements, 9·32
  - Superannuation Account, 1·8, 9·5, 9·6, 9·7

**S**

- Saint John Harbour Bridge Authority, 8·9, 8·41, 8·44, 8·49
- St Anthony Fisheries Limited, 8·20, 8·22
- St John's Port Corporation, 8·9, 8·16, 8·19, 8·21, 8·26



## S—Continued

- St Lawrence Seaway Authority, The, 8·9, 8·16, 8·19, 8·21, 8·26, 9·8  
     interest bearing loans, 8·49  
 St Lucia, special loan assistance to, 8·34  
 St Vincent, special loan assistance to, 8·34  
 Ste-Anne's Hospital, 9·11, 9·17  
 Sales tax, 1·4, 2·6, 5·3, 5·4, 5·6, 5·8, 5·10  
 Salvador, El, special loan assistance to, 8·33, 8·34  
 Saskatchewan, Province of  
     loans, investments and advances, 8·29  
 Seaway International Bridge Corporation, Ltd, The, 8·19, 8·21, 8·25  
 Security deposits—Bankruptcy Act, 9·8, 9·11  
 Senegal, special loan assistance to, 8·33, 8·34  
 Services and service fees, 5·4, 5·7  
 Services to Government, 1·5, 2·6  
 Share proceeds in trust—Bankruptcy Act, 9·9, 9·13  
 Shared-cost projects, 9·19, 9·24  
 Shares in trust—Bankruptcy Act, 9·9, 9·13  
 Significant accounting policies, 2·11  
 Sino-Canadian audit management training, 9·19, 9·24  
 Sioux Lookout Zone Hospital, 9·10, 9·16  
 SNC Defence Products Inc· 9·9, 9·12  
 Social assistance—Indians and Inuit, 1·5, 2·6  
 Social Sciences and Humanities Research Council, 9·25  
 Social development, 1·5, 2·6  
 Societa a responsabilita limitata Immobiliare San Sebastiano, 8·20, 8·22  
 Société Inter-Port de Québec, 8·39, 8·40  
 Soldier Settlement and Veterans' Land Act, 9·11  
 Source and Disposition of Authorities, 2·10, 2·16, 4·8  
 South Saskatchewan River project—Treasury bills, 8·29, 8·31  
 Special areas and highways agreement, 8·27, 8·28, 8·29, 8·30, 8·49  
 Special deposits, Receiver General, 13·3, 13·4  
 Special development loans program, 8·27, 8·28, 8·29, 8·30, 8·49  
 Special Drawing Rights allocations, 1·7, 2·8, 11·2, 11·3  
 Special fund  
     National Research Council, 9·19, 9·25  
 Special non-marketable bonds, 6·12, 12·8  
     issued to the Canada Pension Plan Investment Fund, 1·7, 2·9, 12·2  
 Special operating account  
     National Library, 9·9, 9·13  
 Special petroleum compensation charge, 1·4  
 Specified purpose accounts, 1·3, 1·5, 1·6, 2·5, 2·9, 6·14  
     detailed information on, 9·9·2  
 Specified Purpose and Exchange Fund Accounts, 2·9  
 Sri Lanka, special loan assistance to, 8·34  
 Standards Council of Canada, 8·20, 8·22, 8·24  
 Statement of accumulated deficit, 2·7  
 Statement of accumulated deficit in terms of total liabilities and net recorded assets, 13·4  
 Statement of all Borrowing Transactions on behalf of Her Majesty, 12·12  
 Statement of assets and liabilities, 2·8  
 Statement of contingent liabilities, 13·8  
 Statement of responsibility and preface, 2·2  
 Statement of revenue and expenditure, 2·6  
 Statement of transactions, 1·4, 1·5, 1·6, 1·7, 1·8, 1·9, 1·10, 1·12, 1·14, 2·5  
 Statement of source and disposition of authorities 2·10, 2·16  
 Statements of transactions, Comparative, 1  
 Statistics Canada  
     advance payments, 9·25  
 Subscriptions and loans to international organizations, 2·15  
 Summary of transactions in superannuation accounts that resulted in charges to budgetary expenditure 9·6  
 Summary statement of transactions—Public Accounts presentation, 1·3  
 Summer employment—Experience development program 9·19, 9·23

## S—Concluded

- Superannuation accounts, 1·6, 1·8, 2·9, 2·15, 6·14, 9·2, 9·4, 9·5  
 Supplementary Retirement Benefits Account 1·8, 9·5, 9·6, 9·7  
 Supplementary statements, 5·10, 8·49, 12·11  
 Supply revolving fund—Interest, 5·9  
 Suspense accounts, 10·4  
 Swaziland, special loan assistance to 8·34  
 Sydney Steel Corporation, 8·42, 8·46

## T

- Tax revenue, 1·4, 2·6, 5·4, 5·6, 5·7  
     per capita, 5·7  
 Teleglobe Canada, 5·9, 8·9, 8·16, 8·19, 8·21, 8·25, 8·26  
 Télésat Canada, 8·39, 8·40  
 Television, film and radio, 1·5, 2·6  
 Temporary deposits received from importers, 9·9, 9·12  
 Territorial subsidiary agreement on human resource development, 9·19, 9·23  
 Thailand, special loan assistance to, 8·33, 8·34  
 Thunder Bay Harbour Commission 8·42, 8·49  
 Togo, special loan assistance to, 8·34  
 Town of Oromocto, 8·28, 8·31, 8·41, 8·44  
 Town of Oromocto Development Corporation 8·41, 8·44  
 Transactions in the Unemployment Insurance Account, 7·3,  
 Translation of foreign currency transactions, 2·12  
 Travel account—International agencies, 9·10, 9·15  
 Treasury bill(s), 1·7, 2·9, 6·14, 12·2, 12·8, 12·11  
     average yields at tender, 12·11  
     issues and redemptions, 12·9  
 Trinidad, special loan assistance to, 8·33, 8·34  
 Trust account  
     National Museums of Canada, 9·9, 9·13  
 Trust fund  
     National Battlefields Commission, 9·9, 9·13  
     National Research Council, 9·19, 9·24  
     Natural Sciences and Engineering Research Council, 9·10, 9·16  
     Social Sciences and Humanities Research Council, 9·20, 9·25  
 Tunisia, special loan assistance to, 8·34  
 Turkey, special loan assistance to, 8·33

## U

- Unamortized discount on Treasury bills, 2·9, 10·2, 10·3  
 Unamortized portion of actuarial deficiencies, 2·9, 9·2, 9·5, 9·18  
     Canadian Forces Superannuation Account, 9·5  
     Public Service Superannuation Account, 9·5  
     Royal Canadian Mounted Police Superannuation Account, 9·5  
 Unclaimed dividends and undistributed assets  
     Bankruptcy Act, 9·9, 9·13  
     Canada Business Corporations Act, 9·9, 9·13  
     Winding-up Act, 9·9, 9·13  
 Unclaimed moneys due to Canadian seamen, 9·11, 9·16  
 Unemployment Insurance Account, 7·2, 7·4, 9·2  
     audited financial statements, 7·4  
     Contributions, 1·4, 2·6, 5·3, 5·4, 5·6  
     interest bearing loans, 7·2  
     interest on loans to the, 5·9  
     transactions in the, 7·3  
 Unemployment insurance benefits, 1·5, 2·6  
 Unemployment Insurance warrants, 10·3  
 United Kingdom, 9·19  
     British army, 9·19  
     deferred principal, 8·32  
 United Kingdom Financial Agreement Act, 1946, The, 8·32, 8·49  
 United Nations bonds, 8·35  
 United Nations Educational, Scientific and Cultural Organization, 8·35



**U—Concluded**

- United Nations organizations, 8•35
- United States of America, 9•19
- Unmatured debt
  - detailed information on, 12, 12•2
  - March 31, from 1982 to 1986, with the average rate of interest thereon, 12•11
  - of the Government of Canada, 12•12
  - payable in Canadian currency 1•7, 2•9, 6•14, 12•2
  - payable in foreign currencies, 1•7, 2•9, 6•14, 12•2
  - transactions, 1•3, 1•7, 1•9, 2•5
- Uranium Canada, Limited, 8•9, 8•17

**V**

- Valuation of assets and liabilities, 2•12
- Vancouver Port Corporation, 8•9, 8•17, 8•19, 8•21, 8•26
- Various Francophone countries, special loan assistance to, 8•34
- Veterans administration and welfare trust fund, 9•11, 9•17
- Veterans benefits, 1•5, 2•6
- Veterans care trust accounts, 9•11, 9•17
- Veterans' insurance fund, 9•18, 9•22
- Veterans' Land Act, 1•12
  - trust account general, 9•11, 9•17
- Veterans' Land Act Fund
  - advances less allowance for conditional benefits, 1•6, 2•8, 8•3, 8•38
  - advances, loans, investments and advances, 5•9, 8•38
- VIA Rail Canada Inc, 8•9, 8•17, 8•20, 8•22, 8•24

**W**

- War claims fund—World War II, 9•10, 9•14
- Western grain stabilization account, 7•2, 7•3, 9•14, 9•18
- Winding-up Act—Unclaimed dividends and undistributed assets, 9•9, 9•13
- Winter capital projects fund, 8•27, 8•28, 8•29, 8•30, 8•49
- World Health Organization, 8•35, 9•19, 9•24
- Work orientation workshops program, 9•19, 9•23

**Y**

- Yukon Territory
  - loans, investments and advances, 8•29
- Yukon Territory small business loans, 8•29, 8•31, 8•49

**Z**

- Zaire, special loan assistance to, 8•34
- Zambia, special loan assistance to, 8•34
- Zimbabwe, special loan assistance to, 8•34











JUN 1 0 1987

